Note 1 – Significant Accounting Policies

A. Financial Statements and Reporting Entity

The accompanying financial statements of the State of Missouri (primary government) and its component units have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The State has elected not to follow the Financial Accounting Standards Board's pronouncements issued after November 30, 1989 for proprietary activities.

The financial statements include the departments, agencies, boards, commissions, and other organizational units over which the State has financial accountability. GASB set forth the following criteria in Statement No. 14 – *The Financial Reporting Entity* for determining financial accountability: appointment of a voting majority of an organization's governing body and either: 1) the ability to impose the State's will on the organization; or 2) the organization's ability to provide specific benefits to, or impose specific burdens on, the primary government. Where the State does not appoint a voting majority of the governing body, the entity would still be included if it is fiscally dependent on the State. Statement No. 39 – *Determining Whether Certain Entities are Component Units* added a requirement to include all entities whose relationship with the State would make it misleading to exclude it.

In addition to the legislative, executive, and judicial branches, the following organizations are included in these financial statements:

Component Units (Blended):

Blended component units are legally separate entities from the State, but are so intertwined with the State that they are, for all practical purposes, the same as the State. They are reported as part of the primary government and blended into the appropriate funds. The following component units are blended because they provide services entirely or almost entirely to the primary government:

Board of Fund Commissioners – The Board was created by state law and is comprised of the Governor, Lieutenant Governor, Attorney General, State Auditor, State Treasurer, and the Commissioner of Administration. The Board's purpose is to issue, redeem, and cancel state general obligation bonds and perform other administrative activities related to state general obligation debt as assigned by law. Separate financial statements are not required or issued for the Board.

Board of Private Investigator Examiners – The Board was created by state law and is charged with the licensure and regulation of the practice of private investigators in Missouri. The five member board shall consist of three private investigators and two public members, appointed by the Governor. Separate financial statements are not required for the Board.

Board of Unemployment Fund Financing – The Board was created by state law to provide a method of providing funds for the payment of unemployment benefits and maintaining an adequate fund balance in the Unemployment Compensation Fund. The Board is comprised of the Governor, Lieutenant Governor, Attorney General, the Director of the Department of Labor and Industrial Relations, and the Commissioner of Administration. Separate financial statements are not required for the Board.

Note 1 – Significant Accounting Policies (cont.)

Coordinating Board for Early Childhood – The Board was created by state law within the Missouri Children's Services Commission. The Board's purpose is to develop a comprehensive statewide long-range strategic plan for a cohesive early childhood system, and to work with public and private entities for the purpose of promoting and improving the development of Missouri's children from birth through age five. The 17 member Board is composed of representatives from the Governor's office; the following departments: Health and Senior Services, Mental Health, Social Services, and Elementary and Secondary Education; the judiciary; the Family and Community Trust Board; the Head Start Program; and nine members appointed by the Governor. Separate financial statements are not required for the Board.

Missouri Investment Trust-Board of Trustees – The Board is responsible for establishing investment policies, strategies, and goals for the Missouri Investment Trust, and has the fiduciary duty to manage the policy and investment decisions necessary for the success of the Missouri Investment Trust. The seven member board of trustees consists of the State Treasurer, the Commissioner of Administration, one member appointed by the speaker of the House of Representatives, one member appointed by the president pro-tem of the Senate, and three members selected by the Governor. Separate financial statements are not required for the Board. As of December 31, 2009, the Missouri Investment Trust has reconveyed all trust assets to the contributing entities.

Missouri Propane Gas Commission – The Commission is responsible for developing comprehensive plans and programs for the prevention, control, and abatement of propane-related accidents in Missouri. The Commission is authorized to regulate the inspection of and provide specifications for propane. The nine member commission is appointed by the Governor with members from various propane-related industries, the Departments of Agriculture and Natural Resources, and one public member.

Missouri State Penitentiary Redevelopment Commission – The Commission was established to coordinate the planning and redevelopment of the old Jefferson City Correctional Center. The ten member commission consists of three members appointed by the Jefferson City mayor, three members appointed by the Cole County Commission, and four members appointed by the Governor. Separate financial statements are not required for the Commission.

Capital Projects Funds:

Missouri Highway 63 Transportation Corporation, and Wentzville Parkway Transportation Corporation – These are reported as a part of the Missouri Road Fund. These transportation corporations are not-for-profit corporations organized under the Missouri Transportation Corporation Act. The corporations were formed to facilitate the construction of highway projects. When the purpose for which each corporation was formed has been complied with and all obligations of the corporation have been paid, the Board of the corporation shall, with the approval of the Missouri Highways and Transportation Commission, dissolve the corporation. Additional information may be requested from:

Missouri Department of Transportation
Resource Management
P.O. Box 270
Jefferson City, Missouri 65102

Note 1 – Significant Accounting Policies (cont.)

Internal Service Funds:

Board of Public Buildings – This is reported with the State Facility Maintenance and Operation Fund. The Board was created by state law and its governing body is made up of the Governor, the Lieutenant Governor, and the Attorney General. Its purpose is to provide state buildings by issuing revenue bonds and to supervise the operations of these facilities. All construction contracts must be approved by the Division of Facilities Management, Design and Construction, and its projects must be approved by the General Assembly. The Board can require state agencies to occupy its projects. The General Assembly appropriates to the Board, on behalf of the state agencies, amounts sufficient to pay the principal and interest on the bonds, maintain certain required reserves, and pay the costs of operations. Copies of the Board of Public Buildings' financial statements may be requested from:

Office of Administration
Division of Accounting
P.O. Box 809
Jefferson City, Missouri 65102

Conservation Employees' Insurance Plan – The Plan provides health and life insurance coverage to eligible employees and retirees of the Missouri Department of Conservation. The Plan is administered by a five member board of trustees made up of two members of the Plan appointed by the Conservation Commission, the Chief Financial Officer, the Human Resources Division Chief, and the Internal Auditor. Copies of the Plan's financial statements may be requested from:

Missouri Department of Conservation
P.O. Box 180
Jefferson City, Missouri 65102

Transportation Self-Insurance Plan – The Plan provides fleet vehicle liability, workers' compensation, and general liability insurance. The Plan is administered by the Missouri Department of Transportation. Additional information may be requested from:

Missouri Department of Transportation
Controller's Division
P.O. Box 270
Jefferson City, Missouri 65102

Missouri State Employee's Insurance Plan – The Plan was created to provide basic life insurance to eligible members and is administered through the Missouri State Employees' Retirement System (MOSERS). Death benefits, optional life insurance, and long-term disability benefits are also provided by the Plan for certain members. Furthermore, the Plan administers the State's Deferred Compensation Plan through the MOSERS Board of Trustees. Copies of the System's financial statements may be requested from:

Missouri State Employees' Retirement System
P.O. Box 209
907 Wildwood Drive
Jefferson City, Missouri 65102-0209

Note 1 – Significant Accounting Policies (cont.)

Missouri Consolidated Health Care Plan (MCHCP) – The Plan was created by state law to provide medical benefits to its members and is administered by a board of trustees. The Board consists of two members of the Senate; two members of the House; six members appointed by the Governor; the Director of the Department of Health and Senior Services; the Director of the Department of Insurance, Financial Institutions and Professional Registration; and the Commissioner of Administration. The management of MCHCP is the responsibility of the Executive Director who is appointed by the Board. Copies of the Plan's financial statements may be requested from:

Missouri Consolidated Health Care Plan
P.O. Box 104355
832 Weathered Rock Court
Jefferson City, Missouri 65110-4355

MoDOT and MSHP Medical and Life Insurance Plan – The Plan provides health and life insurance coverage to eligible employees, retirees, and their dependents of the Missouri Department of Transportation (MoDOT) and the Missouri State Highway Patrol (MSHP). The Plan is administered by a board of trustees consisting of four active MoDOT employees, one retired MoDOT employee appointed by the Director of MoDOT, two active MSHP employees, and one retired MSHP employee appointed by the Superintendent of MSHP. Additional information may be requested from:

Missouri Department of Transportation
Controller's Division
P.O. Box 270
Jefferson City, Missouri 65102

Pension (and other employee benefit) trust funds:

Missouri State Employees' Retirement System (MOSERS) – The System was created by state law and provides retirement, survivor, disability, and life insurance to its members and is administered by a board of trustees. The Board consists of two members of the Senate, two members of the House, two members appointed by the Governor, three members elected by the System's members, the State Treasurer, and the Commissioner of Administration. The management of MOSERS is the responsibility of the Executive Director who is appointed by the Board. Copies of the System's financial statements may be requested from:

Missouri State Employees' Retirement System
P.O. Box 209
907 Wildwood Drive
Jefferson City, Missouri 65102-0209

Note 1 – Significant Accounting Policies (cont.)

Missouri Department of Transportation and Highway Patrol Employees' Retirement System – The System provides retirement, death, and disability benefits to qualified employees of the Missouri Highways and Transportation Commission (includes employees of the Department of Transportation) and both uniformed and non-uniformed members of the State Highway Patrol. The System is administered by a board of trustees consisting of three members of the Missouri Highways and Transportation Commission, the Director of the Missouri Department of Transportation, the Superintendent of the State Highway Patrol, one member of the Senate, one member of the House, one member elected by MoDOT employees, one member elected by Highway Patrol employees, one retired member elected by retired MoDOT employees, and one retired member elected by retired State Highway Patrol employees. Copies of the System's financial statements may be requested from:

Missouri Department of Transportation and
Highway Patrol Employees' Retirement System
P.O. Box 1930
Jefferson City, Missouri 65102-1930

Missouri Consolidated Health Care Plan (MCHCP) State Retiree Welfare Benefit Trust – The Trust was established on June 27, 2008, to provide health and welfare benefits for the exclusive benefit of current and future retired employees of the State and their dependents who meet eligibility requirements, except those covered by other State sponsored post-employment benefit plans. The Trust is administered by the MCHCP board of trustees, which also administers the benefits for the active participants of the Plan. The net assets and activity related to active participants are reported in an internal service fund. Copies of the Plan's financial statements may be requested from:

Missouri Consolidated Health Care Plan
P.O. Box 104355
832 Weathered Rock Court
Jefferson City, Missouri 65110-4355

Missouri State Public Employees' Deferred Compensation Plan – The Missouri State Public Employees' Deferred Compensation Plan is administered by ING, and oversight of the Plan is provided by the MOSERS board of trustees. Under this Plan, employees are permitted to defer a portion of their current salary until future years. In addition, eligible employees have the opportunity to participate in the Missouri State Employees' Deferred Compensation Incentive Plan. Under this Plan, the State contributes $25, $30, or $35 per month on behalf of any employee who contributes at least that amount to the Missouri State Public Employees' Deferred Compensation Plan and who has been an employee of the State for at least one year. However, due to budget constraints, the State's contribution amount was suspended in March 2010 until further notice. Copies of financial statements for both Plans may be requested from:

Plan Administrator
c/o MOSERS
P.O. Box 209
907 Wildwood Drive
Jefferson City, Missouri 65102-0209

Component Units (Discretely Presented):

Discretely presented component units are legally separate entities for which the State is financially accountable. The financial data for these entities is reported separately from the financial data of the primary government.

Note 1 – Significant Accounting Policies (cont.)

Major

College and Universities – The Coordinating Board for Higher Education has certain responsibilities for these institutions and they receive State support. Following are the public college and universities included in the financial statements:

Harris-Stowe State University
3026 Laclede Avenue
St. Louis, Missouri 63103

Lincoln University
207 Young Hall
820 Chestnut Street
Jefferson City, Missouri 65101

Linn State Technical College
1 Technology Drive
Linn, Missouri 65051

Missouri Southern State University
3950 East Newman Road
Joplin, Missouri 64801-1595

Missouri State University
901 South National, Room 119
Springfield, Missouri 65897

Missouri Western State University
4525 Downs Drive
St. Joseph, Missouri 64507

Northwest Missouri State University
105 Administration Building
800 University Drive
Maryville, Missouri 64468-6001

Southeast Missouri State University
One University Plaza, Mail Stop 3200
Cape Girardeau, Missouri 63701

Truman State University
McClain Hall, Room 105
100 East Normal
Kirksville, Missouri 63501

University of Central Missouri
316 Administration Building
Warrensburg, Missouri 64093

University of Missouri System
1000 West Nifong, Building 7, Suite 300
Columbia, Missouri 65211

Non-Major

Missouri Development Finance Board – The Board was created by state law as an independent, self-supporting, body corporate and politic to promote economic development of the State and was created within the Department of Economic Development. The Board is empowered to issue taxable, tax-exempt, and public purpose infrastructure industrial revenue bonds or notes; provide loans or loan guarantees to eligible businesses; provide loans and grants to political subdivisions to fund public infrastructure improvements; and issue tax credits against certain state income taxes in exchange for contributions made to the Board. The twelve member board is made up of the Lieutenant Governor and the Directors of the Department of Economic Development, the Department of Natural Resources, and the Department of Agriculture, who serve as ex-officio voting members, and eight members appointed by the Governor and confirmed by the Senate. Copies of the Board's financial statements may be requested from:

Missouri Development Finance Board
Governor Office Building
200 Madison Street, Suite 1000
Jefferson City, Missouri 65101

Note 1 – Significant Accounting Policies (cont.)

Missouri Agricultural and Small Business Development Authority – The Authority was created by state law and is authorized to issue bonds to finance agricultural and small business development loans for property acquisitions/renovations and pollution control facilities throughout the State. If for any reason, the Authority ceases to exist, all rights and properties of the Authority will pass to the State. Its governing body consists of seven members appointed by the Governor with the advice and consent of the Senate. Copies of the Authority's financial statements may be requested from:

Missouri Agricultural and Small
Business Development Authority
P.O. Box 630
1616 Missouri Boulevard
Jefferson City, Missouri 65102

Missouri Transportation Finance Corporation – The Corporation is a not-for-profit corporation organized under the Missouri Nonprofit Corporation Law. The Corporation is financed by federal highway and transit dollars, plus state and local matching funds. It is authorized to issue revenue bonds. The Corporation provides loans to assist public and private entities fund highway and transportation projects throughout the State. The Missouri Highways and Transportation Commission determines which applicants are extended loans from the Missouri Transportation Finance Corporation. Copies of the Corporation's financial statements may be requested from:

Missouri Department of Transportation
Highway Building, 2nd Floor
105 West Capitol Avenue
Jefferson City, Missouri 65101

Missouri Wine and Grape Board – The Board was created by state law to further growth and development of the grape growing industry in Missouri and foster the expansion of the grape market for Missouri grapes. The eleven member board consists of seven members representing the grape and wine industry, food service industry, or media marketing industry. The four other members include the director of the Department of Agriculture and the presidents of the Missouri Grape Growers Association, the Missouri Vintners Association, and the Missouri Wine Marketing and Research Council. Copies of the Board's annual report may be requested from:

Missouri Wine and Grape Board
P.O. Box 630
1616 Missouri Boulevard
Jefferson City, Missouri 65102

Related Organizations

Related organizations are excluded from the financial reporting entity because the State's accountability does not extend beyond appointing a voting majority of the organization's board members. Related organizations of the State of Missouri include:

Missouri Health and Educational Facilities Authority – finances health and educational facilities.

Missouri Higher Education Loan Authority – provides a secondary market for loans made under the Federal Family Education Loan Program.

Note 1 – Significant Accounting Policies (cont.)

Missouri Housing Development Commission – makes, purchases, and insures mortgage loans which are used to develop new or rehabilitate low and moderate income housing.

Missouri Technology Corporation – promotes the modernization of businesses through the development of science and technology applications.

Missouri Public Entity Risk Management Fund – provides liability protection to participating public entities, their officials, and employees.

State Environmental Improvement and Energy Resources Authority – finances, acquires, constructs, and equips projects to reduce, prevent, and control pollution and develop the energy resources of the State.

Jackson County Sports Complex Authority – responsible for construction, operation, and financing of the Jackson County Sports Complex.

Kansas City Regional Sports Complex Authority – responsible for the study and review of all current major sports leagues, clubs, or franchises in Kansas City.

St. Charles County Convention and Sports Facility Authority – responsible for planning, constructing, and managing convention and sports facilities in the St. Charles area.

Missouri Cotton Growers Organization – organized for boll weevil eradication.

KCT Intermodal Transportation Corporation – organized to pay for a railroad bridge in the Blue Valley Industrial District in Kansas City.

Lake of the Ozarks Community Bridge Corporation – organized to pay for the acquisition and construction of a toll bridge across the Lake of the Ozarks.

Westside Intermodal Transportation Corporation – organized to pay for rail additions and improvements of the Kansas City Terminal Railway.

Universal Service Board – organized to ensure just, reasonable, and affordable rates for comparable essential local telecommunication services throughout the State.

Interstate Commission for Adult Offender Supervision – responsible for promoting public safety and protecting the rights of victims through the control and regulation of the interstate movement of adults placed under community supervision.

Missouri Access to Higher Education Trust Board – responsible for administering the funds of the Higher Education Trust.

Missouri Health Insurance Pool – organized to provide health care coverage for residents who are unable to obtain individual health coverage.

P-20 Council – organized to create a more efficient and effective education system that more adequately prepares students for the challenges of entering the workforce.

Note 1 – Significant Accounting Policies (cont.)

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements:

The government-wide financial statements focus on the government as a whole. The Statement of Net Assets and Statement of Activities report information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Governmental activities include governmental type funds and internal service funds. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services and consist of enterprise funds.

The **Statement of Net Assets** presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets.

The **Statement of Activities** demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Indirect costs, such as depreciation/amortization expense, are included in the direct expenses reported for individual functions. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenues.

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when incurred. Fiduciary funds have been excluded from the government-wide financial statements because, by definition, the resources of these funds cannot be used to support government operations. Generally, interfund transactions have also been eliminated. Some interfund transactions, such as the exchange of services, were not eliminated because doing so would mistakenly understate both expenses of the buyer and revenues of the seller.

The difference between fund assets and liabilities is reported as "Net Assets" on the government-wide, proprietary, and fiduciary fund statements and "Fund Balance" on the governmental fund financial statements.

Fund Financial Statements:

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide statements. For governmental and proprietary fund financial statements, the emphasis is on major individual governmental and enterprise funds, with each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. Internal service funds are also aggregated and reported in a separate column on the proprietary fund financial statements.

Note 1 – Significant Accounting Policies (cont.)

The governmental fund financial statements are presented using the current financial resources measurement focus and modified accrual basis of accounting. With the current financial resources measurement focus, only current assets and current liabilities are included on the balance sheet. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to pay current period liabilities. Operating statements of governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance. Material revenues susceptible to accrual include federal grants and sales and income taxes. Expenditures are recognized when the related fund liability is incurred except for the following:

- Principal and interest on general long-term debt is recorded as an expenditure when due.
- Compensated absences (accumulated vacation and compensatory time) and sick pay are recorded as expenditures when paid.
- Inventories are reported as expenditures when purchased, except for the Missouri Road Fund, which updates inventory perpetually under the consumption method.

The proprietary, pension (and other employee benefit) trust, and private-purpose trust fund financial statements are presented using the economic resources measurement focus and accrual basis of accounting. With the economic resources measurement focus, assets and liabilities associated with the operation of these funds are included on the Statement of Net Assets. Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred. Proprietary fund-type operating statements present revenues and expenses in total net assets. Operating revenues and expenses in proprietary funds are classified as those activities that make up the primary ongoing operations associated with those funds. Non-operating revenues and expenses in proprietary funds are classified as those activities that are deemed incidental or unusual for those funds.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. The agency fund financial statements are presented on the accrual basis of accounting.

The discretely presented component unit financial statements are presented using the economic resources measurement focus and accrual basis of accounting with the following exception in regard to college and universities. Revenues and related expenditures in connection with the summer sessions in progress at June 30 are deferred at that date.

The State reports the following major funds categories:

General Fund – accounts for all current financial resources not required by law or administrative action to be accounted for in another fund.

Public Education – provides general and special education needs of the State and other related areas such as library services and student loans.

Conservation and Environmental Protection – provides for the preservation of the State's wildlife and environment.

Transportation and Law Enforcement – provides transportation services, road construction and maintenance, and the enforcement of vehicle laws and traffic safety.

Missouri Road Fund – accounts for revenues from highway users' fees, federal reimbursements for highway projects, and bond proceeds to be used for costs of constructing and maintaining an adequate state highway system.

Note 1 – Significant Accounting Policies (cont.)

State Lottery – accounts for proceeds from the sale of lottery tickets and all other moneys credited to this fund. A minimum of 45% of the moneys are used for prizes.

Unemployment Compensation – accounts for contributions, payments, and federal loans collected under the provisions of the Unemployment Compensation Law to pay benefits.

Petroleum Storage Tank Insurance – accounts for moneys collected from transport load fees and participating owners of petroleum storage tanks for cleanup of contamination caused by releases from petroleum storage tanks.

C. Basis of Presentation

The State's financial practices are based upon fund accounting concepts. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and fund balances, and changes therein, that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The accompanying financial statements are structured into three categories of funds and discretely presented component units:

Primary Government:

Governmental Funds include the General Fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. These funds account for the revenues and expenditures, capital outlay, and certain debt service of the State.

Proprietary Funds include enterprise funds and internal service funds. These funds account for the cost of certain services provided by the State.

Fiduciary Funds include pension (and other employee benefit) trust funds, private-purpose trust funds, and agency funds. These funds account for assets held by the State in a trustee capacity or as an agent for individuals, other governments, and other entities.

Discretely Presented Component Units:

Major

College and Universities account for moneys from federal and state grants, debt proceeds, gifts and contributions, state appropriations, investments, and endowments. Assets and liabilities are accounted for on the Statement of Net Assets. Revenues, expenses, gains, and losses are reported on the Statement of Revenues, Expenses, and Changes in Net Assets.

Non-Major

Non-Major Component Units account for moneys from bond proceeds, loans, contributions, gifts, and grants. Assets and liabilities are accounted for on the Statement of Net Assets. Revenues, expenses, gains, and losses are reported on the Statement of Revenues, Expenses, and Changes in Net Assets.

Note 1 – Significant Accounting Policies (cont.)

D. Cash and Cash Equivalents

For reporting purposes, cash and cash equivalents include bank accounts, petty cash, and all investments with an original maturity of three months or less, such as certificates of deposit, money market certificates, and repurchase agreements. Cash and cash equivalents on the Proprietary Funds Statement of Cash Flows are also reported under this definition. Cash balances of most state funds are pooled and invested by the State Treasurer (see *Note 3)*.

E. Investments

These are long-term investments with an original maturity greater than three months which are expected to be held to maturity and redeemed at face value. The majority of investments are reported in pension (and other employee benefit) trust funds, however, investments are held in all fund types. All investments are reported at fair value (see *Note 3).*

There are multiple funds that have income from investments which are directed to the General Fund. These funds consist of special revenue, enterprise, internal service, private-purpose, and agency funds.

F. Interfund Receivables/Payables

The State makes various transactions between funds or between the primary government and component units to distribute interest earnings, finance operations, provide services, service debt, and acquire capital assets. These receivables at June 30 are classified as "due from other funds" or "due from primary government/component units" on the Balance Sheet and Statement of Net Assets. Payables are classified as "due to other funds" or "due to primary government/component units" on the Balance Sheet and Statement of Net Assets (see *Note 15*). These receivables/payables are due within one year. Any receivables/payables that are due to and due from an enterprise fund are eliminated on the face of the Proprietary Funds Statement of Net Assets. If any receivables/payables that remain after this elimination are both in the same activity (Governmental), they are eliminated at the Government-Wide Statement of Net Assets. Interfund receivables/payables between the primary government and the component units are reclassified as accounts receivable/payable at the government-wide level. Any remaining interfund receivables/payables are reported as internal balances on the Government-Wide Statement of Net Assets.

G. Advances to/from Other Funds

Long-term interfund receivables are classified as "advances to other funds" or "advances to primary government/component units" on the Balance Sheet and Statement of Net Assets. Long-term interfund payables are classified as "advances from primary government/component units" on the Balance Sheet and Statement of Net Assets (see *Note 15*). These receivables/payables are eliminated if both the receivable and payable are in the same activity (Governmental). Advances to/from that are between the primary government and the component units are reclassified as accounts receivable/payable at the government-wide level. Any remaining long-term interfund receivables/payables are reported as internal balances on the Government-Wide Statement of Net Assets.

H. Inventories

Inventories in the governmental funds consist of expendable supplies held for consumption, the cost of which is recorded as an expenditure at the time of purchase, except for the Missouri Road Fund, which updates inventory perpetually under the consumption method. Reserves of fund balance have been established for the inventory balances in governmental funds. Inventories in the proprietary funds consist of both expendable supplies held for consumption and the cost of goods held for resale, the cost of which is recorded as an expense as they are used. Inventories are valued at cost using various methods such as moving average; weighted average; and first-in, first-out.

Note 1 – Significant Accounting Policies (cont.)

I. Restricted Assets

These moneys are restricted by donors and applicable bond indentures:

Reserved for Budget Reserve – An account used to meet the cash flow requirements and program funding requirements of the State.

Reserved for Inventories – An account used to segregate a portion of fund balance to indicate that inventories do not represent available, spendable resources.

Reserved for Forfeited Assets – An account used to segregate a portion of fund balance to pay postclosure costs for landfill owners that have defaulted on their obligation to pay postclosure care costs (see *Note 22*) and mining reclamation costs.

Reserved for Taxes – An account used to segregate a portion of fund balance for taxes received for which payment was made under protest and for bonds filed by license holders for security against default of payment of tax liabilities.

Reserved for Debt Service – An account used to segregate a portion of fund balance for debt service resources legally restricted to the payment of general long-term debt principal and interest amounts maturing in future years.

Reserved for Loans Receivable – An account used to segregate a portion of fund balance to indicate that loans receivable do not represent available, spendable resources.

Reserved for Trust Principal – An account used to segregate a portion of fund balance to indicate the principal amount of permanent funds that is legally restricted for a specific future purpose.

J. Capital Assets

Capital assets, which include construction in progress, software in progress, infrastructure in progress, land, land improvements, permanent and temporary easements, buildings and improvements, equipment, software, and infrastructure assets, are valued at historical cost or estimated historical cost if actual historical cost is not available. The estimate of historical cost was based on current appraised value indexed to the date of acquisition. Donated capital assets are reported at estimated fair value at the time received. Capital assets acquired through lease agreements are capitalized at the inception of the agreement (see *Notes 5 and 6*).

Infrastructure assets (including highways, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items) are capitalized. Interest costs incurred during construction of capital assets are not capitalized.

The capitalization threshold for all capital assets is as follows: land improvements – $15,000, buildings and improvements – $15,000, software – $5,000, and equipment – $1,000. No dollar threshold is set for land, easements, or infrastructure.

Capital assets are depreciated/amortized using the straight-line method of depreciation/amortization over the following useful lives: buildings – 40 to 50 years, land improvements and building improvements – 15 to 20 years, temporary easements – term of easement, equipment – 5 years, software – 3 to 5 years, and infrastructure – 12 to 50 years. Construction in progress, software in progress, infrastructure in progress, land, and permanent easements are not depreciated/amortized.

Note 1 – Significant Accounting Policies (cont.)

Most works of art and historical treasures are not capitalized or depreciated/amortized. The State's non-capitalized collections include the historical artifacts at the various state museums and historical sites, monuments, and other art throughout the capitol grounds. Assets that were previously capitalized continue to be reported in the government-wide financial statements.

Component unit capital assets are stated at cost and are depreciated/amortized using the straight-line method of depreciation/amortization over the following useful lives: buildings – 40 years, land improvements and building improvements – 20 years, equipment – 5 to 15 years, and software – 3 to 5 years.

K. Deferred/Unearned Revenues

Governmental Funds

Deferred revenues are those for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met for governmental funds, which use the modified accrual basis of accounting. Therefore, such amounts are reported within the governmental fund financial statements as receivables and offset by a deferred revenue account. These amounts include $812,036,000 within the General Fund, $59,930,000 within the major special revenue funds, $17,091,000 within the Missouri Road Fund, and $4,798,000 within non-major governmental funds which totals $893,855,000 for governmental funds. Such amounts have been deemed to be measurable but not available. All major sources of revenue, including taxes; licenses, fees, and permits; and governmental contributions are susceptible to accrual when available within 60 days.

Deferred revenues also include amounts collected in advance of the year in which earned. The State has reported as such deferred revenues the amount of $115,045,000 within the General Fund, $186,000 within major special revenue funds, $4,697,000 within the Missouri Road Fund, and $749,000 within non-major governmental funds which totals $120,677,000 for governmental funds.

Proprietary Funds

Unearned revenue amounts collected in advance of the year in which earned are reported in the amount of $23,776,000 within the internal service funds included in governmental activities. Total unearned revenue for enterprise funds is $504,000 which is from the Petroleum Storage Tank Insurance Fund.

Component Units

Unearned revenue amounts collected in advance of the year in which earned are reported in the amount of $111,002,000 within the college and universities and $943,000 in non-major component units which is a total of $111,945,000 of unearned revenue for component units.

Note 1 – Significant Accounting Policies (cont.)

L. Long-Term Debt

Long-term liabilities that will be financed from governmental funds are not reported on the fund financial statements. However, the long-term liabilities are reported on the government-wide financial statements. The reconciliation between fund financial statements and government-wide financial statements includes a line item for the long-term liabilities of governmental funds. These long-term liabilities include the following:

1. Due to Other Entities includes outstanding principal on advances from other governments and contractual obligations to other governments. The expenditures are recorded in the appropriate governmental funds when the liability is paid (see *Note 11*).

2. Outstanding principal for general obligation debt. The expenditure for payment of principal and interest for general obligation debt is recorded in the debt service funds when paid (see *Note 12*).

3. Outstanding principal for bonds issued by the Board of Public Buildings, State Road Bonds issued by the Missouri Highways and Transportation Commission, and bonds issued by the Health and Educational Facilities Authority and the Regional Convention and Sports Complex Authority. The expenditure for payment of principal and interest for these bonds is recorded in the appropriate governmental funds when paid (see *Note 12*).

4. Bond premiums are deferred and amortized over the life of the bonds using the effective interest rate method in the government-wide financial statements. Bonds payable are reported net of the applicable bond premium.

   In the fund financial statements, governmental fund types recognize bond premiums during the current period. Premiums on debt issuances are reported as other financing sources (see *Note 11*).

5. Obligations under lease/purchases reported include the present value of net minimum future lease payments, which will be paid from the General Fund, various special revenue funds, proprietary funds, and the Missouri Road Fund (see *Notes 6 and 11*).

6. Compensated absences include accumulated unpaid vacation and compensatory time accruals and related employer payroll taxes. These amounts are not accrued in the governmental funds but are recorded as expenditures when paid (see *Note 11*).

   Vacation leave is accumulated at a rate of 10 to 14 hours per month depending on the number of years of employment. Accumulated vacation leave cannot exceed twice the number of vacation hours earned annually. Compensatory time is accumulated as earned by an individual employee.

   Sick leave is accumulated at a rate of 10 hours per month with no limit to the amount which can be accumulated. Accumulated sick leave is not paid upon employee termination and does not represent a liability of the State.

7. Claims and contingent liabilities include estimates of the risk of loss related to tort liability, general liability, motor vehicle liability, contractor liability, and injuries to employees. These liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Expenditures are recorded in the fund from which the liability is paid (see *Notes 11, 21, and 23*).

Note 1 – Significant Accounting Policies (cont.)

8. Pollution remediation liabilities are measured based on the pollution remediation outlays expected to be incurred to settle those liabilities. These liabilities include all remediation work that the State expects to perform, including work expected to be performed for other responsible parties or potentially responsible parties, whether or not the State is required to do that work. For goods or services used for pollution remediation activities, amounts that are normally expected to be liquidated with expendable available financial resources are recognized as liabilities upon receipt of those goods and services (see *Note 11 and 22*).

Long-term liabilities of all proprietary, pension (and other employee benefit) trust, and private-purpose trust funds are accounted for in the respective funds.

M. Net Assets

Net Assets are reported in three categories:

Invested in Capital Assets, Net of Related Debt – An account used to segregate the portion of net assets attributable to capital assets and related debt. It consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes and other debt that are attributed to acquisition, construction, or improvement of those assets.

Restricted Net Assets – An account used to segregate the portion of net assets that have constraints on their use, which are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through enabling legislation.

Enabling legislation authorizes the State to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. At June 30, 2010, net assets restricted by enabling legislation equaled $1,876,118,000 for governmental activities.

Unrestricted Net Assets – An account used to segregate the portion of net assets that does not meet the definition of the two preceding categories.

When both restricted and unrestricted resources are available for use, generally the State uses restricted resources first, then unrestricted resources as they are needed. However, there may be instances in which restricted funds may only be spent in proportion to unrestricted funds spent.

N. Revenues

The revenues of the General Fund include federal grants and contributions of $11,042,046,000. Revenues for all funds are reported net of refunds of $2,101,851,000.

O. Interfund Transactions

During the fiscal year the State incurs various transactions between funds, including expenditures and transfers of resources to distribute interest earnings, finance operations, provide services, construct assets, and service debt. Interfund transactions basically consist of these three types:

1. Transactions that would be treated as revenues or expenditures/expenses if they involved organizations external to the State are similarly treated when involving other funds of the State. Major transactions that fall into this category include payments to internal service funds from other funds for services rendered and to agency funds for contributions for employee benefits.

Note 1 – Significant Accounting Policies (cont.)

2. Transactions that reimburse another fund for an expense. These transactions reduce the expenses of the fund that is being reimbursed and increase the expenses for the fund doing the reimbursement. Therefore, they are not shown on the face of the statements.

3. Operating subsidies and transfers from funds receiving revenues to funds through which the resources are to be expended are classified as transfers (see *Note 16*). These transactions are eliminated on the face of the financial statements if the transfer in and transfer out are either both in governmental funds or both in enterprise funds. Of the remaining transfers, any transfers in and transfers out that are within the same activity (Governmental) are eliminated at the Government-Wide Statement of Activities.

P. Expenditures and Expenses

Expenditures and expenses are reported net of revenue over collections of $1,650,288,000 and $3,697,000, respectively. Expenditures and expenses are reported net of overpayments to vendors, individuals, school districts, and for cost reimbursements of $446,745,000 and $1,121,000, respectively.

Q. Property Taxes

Presently there is a state property tax of three cents on each hundred dollars assessed valuation on all real estate and personal property. The tax collected is deposited into the Blind Pension Fund, which is a component of social assistance.

The property taxes in Missouri are levied by October 31 of each year on assessed valuation as of January 1 of that year. Property taxes are due and payable by December 31 and penalties on unpaid taxes are imposed after that date. Assessed values are established by each county assessor's office and are calculated as a percent of market value except for agricultural land which is calculated on productive capability. The percentage for real property varies according to use: residential at 19%, commercial at 32%, and agricultural at 12%. Personal property is assessed according to type with the majority at 33 1/3% of market value.

Note 2 – Reporting Changes and Classifications

The State of Missouri implemented the following new accounting standards issued by the Governmental Accounting Standards Board (GASB) for the fiscal year ending June 30, 2010:

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, gives guidance regarding how to identify, account for, and report intangible assets. These disclosures may be found in *Note 5 – Capital Assets*.

- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, addresses the recognition, measurement, and disclosure of information regarding derivative instruments. These disclosures may be found in *Note 3 – Deposits and Investments*.

- GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, provides guidance on measurement of other postemployment benefit (OPEB) plans for governments with agent employer plans or agent multiple-employers plans. While the State does not participate in either one of these plans, some of the State's component units do. See *Note 8 – Other Postemployment Benefits* for these disclosures.

- GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*, provides guidance on recognition, measurement, display, and disclosure for governments that have filed for bankruptcy under Chapter 9. This statement has no impact on the State's CAFR.

Note 2 – Reporting Changes and Classifications (cont.)

The State of Missouri has two funds that have been reclassified for the fiscal year ended June 30, 2010. The Missouri Wine and Grape Board was reclassified as a discretely presented component unit instead of blended as it does not exclusively benefit the State. The Missouri Road Bond fund was reclassified to a debt service fund from a capital project fund after additional evaluation.

Note 3 – Deposits and Investments

The State Treasurer maintains a cash and short-term investment pool that is used by substantially all state funds. These funds do not include accrued interest. Certain organizational units are authorized to administer assets designated to their organization in a manner similar to the deposit and investment activities of the State as a whole. Summarized on the following page is the portfolio that represents the "Cash and Cash Equivalents," "Investments," "Restricted Assets – Cash and Cash Equivalents," and "Restricted Assets – Investments" as reported at June 30, 2010.

A. Deposits

The State minimizes custodial credit risk by restrictions set forth in state law and stipulations in the State Treasurer's Office Investment Policy. Custodial credit risk is risk that, in the event of the failure of a depository financial institution, the State will not be able to recover deposits or will not be able to recover collateralized securities that are in the possession of an outside party. Statutes restrict the State Treasurer to deposit funds in financial institutions that are physically located in Missouri, which are selected based on financial stability and community involvement. The financial institution's loan to deposit ratio must exceed 50% at the time of deposit and deposits must be collateralized at least 100% with approved securities. Deposits must have a maturity of five years or less and earn interest at a rate equal to that paid on U.S. Treasury securities with equivalent maturities.

Primary Government

At June 30, 2010, the bank balance of the primary government's deposits was $1,102,013,000. Of the bank amount, $138,883,000 was exposed to custodial credit risk by being uninsured and collateralized with securities held by the pledging financial institution.

Fiduciary

At June 30, 2010, the bank balance of the deposits of the fiduciary funds was $92,723,000. None of these deposits were exposed to custodial credit risk.

Component Units

Information on the component units deposits is available within their individual financial statements.

Note 3 – Deposits and Investments (cont.)

B. Investments

Statutes authorize the State Treasurer to invest in U.S. Treasury or Agency securities maturing within five years, commercial paper and banker's acceptances maturing within 180 days, or in repurchase agreements maturing within 90 days secured by U.S. Treasury or Agency securities of any maturity. The internal service funds, the agency and pension (and other employee benefit) trust funds, and the component units, in accordance with statutory authority, invest primarily in U.S. government securities, repurchase agreements, preferred and common stocks, bonds, real estate, and fixed income securities. There have been no violations of these investment restrictions during fiscal year 2010.

The State Treasurer minimizes credit risk, the risk of loss due to the failure of the security issuer or backer, by establishing a pre-approved list of financial institutions and companies that will be used to purchase commercial paper. The State Treasurer also conducts regular credit monitoring, pre-qualifies the financial institutions and brokers/dealers with which the Treasurer's Office will do business for broker services and repurchase agreements, and diversifies the portfolio to reduce potential losses on individual securities.

Custodial credit risk is the risk that, in the event of failure of the counterparty to a transaction, the State will not be able to recover the value of their investment or collateral securities that are in the possession of an outside party. The State Treasurer minimizes custodial credit risk by requiring that all securities be held in the State's name at the State's custodial bank, Bank of New York.

Primary Government

At June 30, 2010, the reported amount of the primary government's investments was \$3,401,061,000. Of this amount, \$117,395,000 was exposed to custodial credit risk because it was uninsured and unregistered with securities held by the State's counterparty.

Fiduciary

At June 30, 2010, the reported amount of the fiduciary funds investments was \$9,990,438,000. Of this amount, \$70,745,000 was exposed to custodial credit risk because it was uninsured and unregistered with securities held by the State's counterparty.

Component Units

Information on the component units investments is available within their individual financial statements.

Note 3 – Deposits and Investments (cont.)

The following table (in thousands of dollars) provides information about the interest rate risks associated with the State's investments. The investments include certain short-term cash equivalents, various long-term items, and restricted assets by maturity in years. The State Treasurer minimizes the risk of the market value of securities falling due to changes in interest rates by maintaining an effective duration of less than 1.5 years, and holding at least 40% of the portfolio's total market value in securities with a maturity of 12 months or less.

	Maturities in Years					
	Less than 1	1–5	6–10	More than 10	No Maturity	Total Fair Value
All Fund Types except Fiduciary Funds and Component Units:						
U.S. Government Securities	$ 1,220	$ ---	$ ---	$ ---	$ ---	$ 1,220
U.S. Treasury Securities	1,060,468	665,351	14,462	13,390	---	1,753,671
U.S. Agency Securities	302	26,655	281	1,325	---	28,563
U.S. Government Guaranteed Mortgages	6,258	808	1,226	---	---	8,292
U.S. Government Mortgage-Backed Securities	511,963	259,105	---	---	802	771,870
U.S. Agency-Sponsored Securities	63,277	33,821	---	---	---	97,098
Repurchase Agreements	729,525	---	---	---	---	729,525
Stocks	---	---	---	---	2,914	2,914
Bonds	---	661	---	---	---	661
Mutual Funds	---	---	---	---	1,992	1,992
Short-Term Securities	3,836	---	---	---	---	3,836
Other	---	693	726	---	---	1,419
Subtotal	2,376,849	987,094	16,695	14,715	5,708	3,401,061

Note 3 – Deposits and Investments (cont.)

	Maturities in Years					
	Less than 1	1–5	6–10	More than 10	No Maturity	Total Fair Value
Fiduciary Funds:						
U.S. Government Securities	37,726	1,792	2,836	28,303	---	70,657
U.S. Treasury Securities	83,184	442,098	278,310	44,120	---	847,712
U.S. Agency Securities	---	4,844	14,657	---	---	19,501
U.S. Government Mortgage-Backed Securities	2,916	1,167	1,263	31,650	---	36,996
U.S. Agency-Sponsored Securities	53,320	10,722	---	---	---	64,042
Repurchase Agreements	376,458	---	---	---	---	376,458
Stocks	---	---	---	---	1,266,136	1,266,136
Bonds	---	149,446	25,777	13,181	---	188,404
International Equities	---	---	---	---	818,030	818,030
Mortgages/ Real Estate	106,322	14,073	2,178	64,747	106,116	293,436
Asset-Backed Securities	---	967	997	1,310	---	3,274
Short-Term Securities	726,318	---	---	---	---	726,318
Foreign Securities	---	---	---	---	4,051	4,051
Mutual Funds	---	---	---	11,878	1,365,158	1,377,036
Venture Capital Limited Partnership	---	---	---	---	3,564,279	3,564,279
Absolute Return	---	---	---	---	162,936	162,936
Tactical Fixed Income	---	---	---	---	75,793	75,793
Other	87,269	---	---	8,100	10	95,379
Subtotal	1,473,513	625,109	326,018	203,289	7,362,509	9,990,438
Total Investments	$ 3,850,362	$ 1,612,203	$ 342,713	$ 218,004	$ 7,368,217	$ 13,391,499

The State minimizes concentration of credit risk, the risk attributed to the magnitude of an investment in a single issuer. State statute prohibits the State Treasurer from investing more than 5% of the total investment portfolio into any single financial institution or issuer, excluding U.S. securities and repurchase agreements. There are no restrictions in the amount that can be invested in U.S. securities, however, there can be no more than 15% of the total portfolio invested in repurchase agreements with a single counterparty. During fiscal year 2010, the State did not have more than 5% of total investments in a single issuer.

Note 3 – Deposits and Investments (cont.)

The State Treasurer requires investments in commercial paper and bankers' acceptances to have the highest letter and numerical ranking (A1/P1) as rated by Moody's Investor Service, Inc. (Moody's) and Standard & Poor's Corporation (S & P). The Treasurer does not have any additional policies regarding credit ratings of investments. The following table (in thousands of dollars) provides information on the credit ratings associated with the State's investments in debt securities.

	Moody's	S & P	Fair Value
Primary Government/Fiduciary:			
U.S. Government Securities		AAA	$ 26,279
		Treasury	6,653
U.S. Treasury	Aaa	AAA	1,658,379
U.S. Agencies	Aaa	AAA	41,895
		AAA	466
		AA	297
U.S. Government Mortgage-Backed Securities	Aaa	AAA	12,342
		Agency	32,913
Bonds	Aaa		2,072
	Not Rated	A+	10
	Not Rated	A-	13
	Not Rated		261
		AAA	36,791
		AA+	308
		AA	17,715
		AA-	2,555
		A+	2,075
		A	100,456
		A-	2,559
		BBB+	3,508
		BBB	3,976
		BBB-	7,497
		BB+	904
		BB	18,678
		B	47,739
		CCC	16,667
		CC	24
		Not Rated	14,211
	Aa2	AA-	11
	Aa2		942
	Aa3		466
	A1	A+	13,482
	A1		723,178
	A3	A-	69
	Baa2	A	20
	Baa2	BBB+	44
	Ba1	BB+	9
	Aa1		178
Repurchase Agreements	P1	A1+	300,000
	P1	A1	405,639
U.S. Agency-Sponsored Securities	Aaa	AAA	773,889
	Aaa		89,439
		AAA	7,659
Short-Term Securities	Unrated		2,477

Note 3 – Deposits and Investments (cont.)

	Moody's	S & P	Fair Value
Asset-Backed Securities		AAA	35,749
		AA	162
		A	1,551
		BBB+	314
		BBB	18,548
		BB	1,793
		B	13,850
		CCC	7,497
		CC	1,476
		D	953
		Not Rated	787
		BB-	232
Mutual Funds	AAA		8,932
	BBB		5,257
		3-STAR	11,878
Pooled Investments		AAA	118,263
		Not Rated	76,037
Other	Aaa	AAA	14,073
		AAA	9,525
		AA	1,366
		AA-	1,611
		A+	1,042
		A	5,889
		A-	12,480
		Agency	4,919
		BBB	6,933
		BB+	2,272
		BB	40,932
		B	53,086
		CCC	66,860
		CC	29,698
		C	1,219
		D	7,216
		Not Rated	21,071
		BB-	2,510
		B+	9,752
		CCC+	132
Total Rated Investments			$ 4,970,610

Note 3 – Deposits and Investments (cont.)

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The State Treasurer's Office does not have any deposits or investments in foreign currency and therefore does not have a policy regarding foreign currency risk. The Missouri State Employees' Retirement System and the Missouri Department of Transportation and Highway Patrol Employees' Retirement System do have foreign currency deposits and investments which may be used for hedging purposes. The following table (in thousands of dollars) provides information on deposits and investments held in various foreign currencies, which are stated in U.S. dollars.

	Investment Type					
Currency	Cash	Equities	Fixed Income	Alternatives	Real Estate	Total
Australian Dollar	$ 23	$ 9,547	$ ---	$ ---	$ ---	$ 9,570
Brazilian Real	361	13,586	---	---	---	13,947
Canadian Dollar	162	4,474	---	---	---	4,636
Chilean Peso	---	114	44	---	---	158
China Renminbi	---	53	---	---	---	53
Czech Koruna	---	2,434	---	---	---	2,434
Danish Krone	---	4,924	---	---	---	4,924
Egyptian Pound	2	2,312	---	---	---	2,314
Euro	1,885	157,126	7,647	99,753	6,444	272,855
Hong Kong Dollar	592	49,408	---	---	---	50,000
Hungarian Forint	35	2,414	---	---	---	2,449
Indian Rupee	117	7,254	---	---	---	7,371
Indonesion Rupiah	---	2,937	---	---	---	2,937
Japenese Yen	2,354	338,059	---	---	---	340,413
Malaysian Ringgit	(1)	4,095	---	---	---	4,094
Mexican Peso	---	11,691	---	---	---	11,691
Moroccan Dirham	(1)	216	---	---	---	215
Norweign Krone	---	1,767	---	---	---	1,767
Peruvian Nuevo Sol	---	75	---	---	---	75
Philippine Peso	(24)	648	---	---	---	624
Polish Zloty	---	1,608	---	---	---	1,608
Russian Ruble	---	303	---	---	---	303
Singapore Dollar	319	39,670	---	---	---	39,989
South African Rand	---	3,363	---	---	---	3,363
South Korean Won	55	34,439	2,010	---	---	36,504
Sri Lanka Rupee	---	3	---	---	---	3
Swedish Krona	195	13,846	---	---	---	14,041
Swiss Franc	---	68,752	---	---	---	68,752
Taiwan Dollar	2	23,074	---	---	---	23,076
Thai Baht	---	21,636	---	---	---	21,636
Turkish Lira	---	11,727	---	---	---	11,727
United Kingdom Pound Sterling	235	102,627	2,749	---	---	105,611
Venezuelan Bolivar	54	---	---	---	---	54
Total	$ 6,365	$ 934,182	$ 12,450	$ 99,753	$ 6,444	$ 1,059,194

C. Securities Lending Program

State Treasurer's Office:

The Missouri State Treasurer's Office participates in a securities lending program to augment investment income. Authority to participate rests in Section 30.260.5, RSMo. As of November 2008, Clearland Securities, a division of Wells Fargo (formerly known as Wachovia Global Securities Lending) began acting as the State Treasurer's custodial bank and securities lending agent. For securities which are received as collateral under a bonds borrowed program, at least 75% of the collateral received must match the maturities of the securities lent with a maximum duration gap between loans and investments of 15 days. The maximum life of term loans shall be 90 days.

Note 3 - Deposits and Investments (cont.)

Collateral may be in the form of cash, securities issued or guaranteed by the U.S. government or its agencies, or bank letters of credit or equivalent obligation if pre-approved by the State Treasurer's Office. Collateral must be provided in the amount of 102% of the then market value of the loaned securities and accrued interest, if any. The Custodian provides for full indemnification to the State Treasurer's Office for any losses that might occur in the program due to borrower default, insolvency, or failure to return loaned securities.

At June 30, 2010, the State Treasurer's Office had an aggregate fair value of securities lent of $261,060,000 and an aggregate fair value of collateral received of $261,060,000.

Missouri State Employees' Retirement System:

The Missouri State Employees' Retirement System's (MOSERS) board of trustees' investment policies permit the pension trust funds to participate in a securities lending program. Certain securities of the pension trust funds are loaned to participating brokers who provide collateral in the form of cash, U.S. Treasury or government agency securities, or letters of credit issued by approved banks. Collateral must be provided in the amount of 102% of market value for domestic loans and 105% of market value for international loans. MOSERS does not have the authority to pledge or sell collateral securities without borrower default. On June 30, 2010, MOSERS had no credit risk exposure to borrowers because the collateral amounts received exceeded amounts out on loan.

Deutsche Bank AG, New York Branch served as the agent for the fixed income domestic equity and international equity securities lending programs. MOSERS reduces credit risk by allowing Deutsche Bank to lend these securities to a diverse group of dealers on behalf of MOSERS. Deutsche Bank provides indemnification against dealer default.

Daily monitoring of securities that are on loan ensure proper collateralization levels and mitigate counterparty risk. The majority of the security loans are open loans and can be terminated on demand by either MOSERS or the borrower. Cash collateral is invested in short-term investment funds, managed by Deutsche Bank. On June 30, 2010, the cash collateral fund had a market value of $192,640,000 and a weighted average maturity of 11 days. At June 30, 2010 and 2009, MOSERS had earned $1,204,000 and $5,830,000, respectively, on the securities lending program.

Missouri Department of Transportation and Highway Patrol Employees' Retirement System:

In accordance with the investment policies set by the board of trustees, the Missouri Department of Transportation and Highway Patrol Employees' Retirement System (the System), lends its securities to broker-dealers and banks pursuant to a form of loan agreement. The System's custodial bank is authorized to lend available securities to approved broker-dealers and banks subject to the receipt of acceptable collateral.

During the fiscal year, the System lent securities and received cash, securities insured or guaranteed by the U.S. government or its agencies, and irrevocable bank letters of credit as collateral. The System cannot pledge or sell non-cash collateral unless a borrower defaults. Borrowers were required to deliver collateral for each loan equal to: 1) in the case of loaned securities denominated in dollars or whose primary trading market was located in the United States, 102% of the market value of the loaned securities plus any accrued interest; and 2) in the case of loaned securities not denominated in U.S. dollars or whose primary trading market was not located in the United States, 105% of the market value of the loaned securities plus any accrued interest.

The System did not impose any restrictions during the fiscal year on the amount of the loans that the custodial bank made on its behalf. There were no known failures by any borrowers to return loaned securities or pay distributions thereon during the year.

Note 3 – Deposits and Investments (cont.)

The System and borrowers maintained the right to terminate all securities lending transactions on demand. At June 30, 2010, the cash collateral fund had a market value of $44,655,000.

At June 30, 2010, the System had lost $22,000, and at June 30, 2009, the System had earned $393,000 on the securities lending program.

Component Units:

Information on the component units securities lending program is available within their individual financial statements.

D. Derivatives

Missouri State Employees' Retirement System (MOSERS), through its external investment managers, has an investment policy which holds investments in futures contracts, swap contracts, and forward foreign currency exchange contracts. MOSERS does not anticipate additional significant market risk from the swap arrangements. The forward foreign currency exchange contracts are used primarily to hedge against changes in exchange rates related to foreign equities. MOSERS could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. MOSERS anticipates that the counterparties will be able to satisfy their obligation as credit evaluations and credit limits are monitored by the investment managers. MOSERS also invests in mortgage-backed securities to diversify the portfolio and increase the return while minimizing the extent of risk. At June 30, 2010, MOSERS Foreign Currency Forward Contracts had a pending receivable of $161,692,000 and a pending payable of $161,857,000 resulting in a final liability of $165,000.

The following table (in thousands of dollars) summarizes the various contracts in MOSERS portfolio as of June 30, 2010. The investments are reported at fair value and are included on the Statement of Net Assets of the pension (and other employee benefit) trust funds.

Futures Contracts:

Notional Amount	Exposure
$ 720,950	$ 1,732

Swaps:

Notional Amount	Counterparty Exposure
$ 1,193,717	$ 39,496

Component Units:

Information on the component units derivatives is available within their individual financial statements.

Note 4 – Federal Surplus Commodities Inventory

The federal surplus commodities inventory for the Department of Social Services was $44,000 as of June 30, 2010. This inventory is not considered to be an asset of the State and is not included in the financial statements.

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2010, was as follows (in thousands of dollars):

	*Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Governmental Activities:				
Capital Assets not being Depreciated/Amortized:				
Construction in Progress	$ 536,881	$ 137,583	$ (146,929)	$ 527,535
Software in Progress	11,050	23,208	(3,273)	30,985
Infrastructure in Progress	2,461,040	1,304,191	(1,035,334)	2,729,897
Land	2,819,733	72,712	(22,602)	2,869,843
Permanent Easements	514	947	---	1,461
Total Capital Assets not being Depreciated/Amortized	5,829,218	1,538,641	(1,208,138)	6,159,721
Capital Assets being Depreciated/Amortized:				
Land Improvements	156,926	4,822	(141)	161,607
Temporary Easements	5,638	1,864	(1,007)	6,495
Buildings and Improvements	2,826,654	122,718	(29,476)	2,919,896
Equipment	1,174,163	84,731	(73,888)	1,185,006
Software	27,624	8,908	---	36,532
Infrastructure	42,600,584	1,035,334	(46,421)	43,589,497
Total Capital Assets being Depreciated/Amortized	46,791,589	1,258,377	(150,933)	47,899,033
Less Accumulated Depreciation/Amortization for:				
Land Improvements	(80,014)	(4,610)	137	(84,487)
Temporary Easements	(1,259)	(1,879)	1,007	(2,131)
Buildings and Improvements	(1,082,240)	(91,938)	7,751	(1,166,427)
Equipment	(811,819)	(94,418)	66,798	(839,439)
Software	(15,029)	(6,480)	---	(21,509)
Infrastructure	(21,059,682)	(825,744)	46,421	(21,839,005)
Total Accumulated Depreciation/Amortization	(23,050,043)	(1,025,069)	122,114	(23,952,998)
Total Capital Assets being Depreciated/Amortized, Net	23,741,546	233,308	(28,819)	23,946,035
Governmental Activities Capital Assets, Net	$ 29,570,764	$ 1,771,949	$ (1,236,957)	$ 30,105,756
Business-Type Activities:				
Capital Assets not being Depreciated/Amortized:				
Construction in Progress	$ 6,977	$ 1,905	$ (4)	$ 8,878
Software in Progress	---	6	(6)	---
Land	8,868	78	---	8,946
Total Capital Assets not being Depreciated/Amortized	15,845	1,989	(10)	17,824
Capital Assets being Depreciated/Amortized:				
Land Improvements	7,447	46	---	7,493
Temporary Easements	50	---	---	50
Buildings and Improvements	28,386	---	---	28,386
Equipment	44,411	2,589	(2,637)	44,363
Software	1,653	23	---	1,676
Total Capital Assets being Depreciated/Amortized	81,947	2,658	(2,637)	81,968
Less Accumulated Depreciation/Amortization for:				
Land Improvements	(3,843)	(251)	---	(4,094)
Temporary Easements	(8)	(2)	---	(10)
Buildings and Improvements	(14,715)	(757)	---	(15,472)
Equipment	(29,508)	(3,322)	2,467	(30,363)
Software	(1,066)	(188)	---	(1,254)
Total Accumulated Depreciation/Amortization	(49,140)	(4,520)	2,467	(51,193)
Total Capital Assets being Depreciated/Amortized, Net	32,807	(1,862)	(170)	30,775
Business-Type Activities Capital Assets, Net	$ 48,652	$ 127	$ (180)	$ 48,599

*Beginning balances as of July 1, 2009 have been restated (see *Note 17*).

Note 5 – Capital Assets (cont.)

Depreciation/amortization expense of governmental activities was charged to functions as follows (in thousands of dollars):

General Government	$ 36,529
Education	3,605
Natural and Economic Resources	20,352
Transportation and Law Enforcement	904,460
Human Services	60,123
Total	$ 1,025,069

Discretely Presented Component Units

The following table summarizes net capital assets reported by the discretely presented component units (in thousands of dollars):

	College and Universities	Non-Major Component Units	Total
Capital Assets not being Depreciated/Amortized:			
Construction in Progress	$ 338,553	$ ---	$ 338,553
Land	143,896	7,220	151,116
Other Non-Depreciable/Amortizable Assets	21,037	---	21,037
Total Capital Assets not being Depreciated/Amortized	503,486	7,220	510,706
Capital Assets being Depreciated/Amortized:			
Land Improvements	23,888	---	23,888
Buildings and Improvements	4,582,735	47,224	4,629,959
Equipment, Fixtures, and Books	1,168,795	181	1,168,976
Software	88,115	15	88,130
Infrastructure	409,877	---	409,877
Total Capital Assets being Depreciated/Amortized	6,273,410	47,420	6,320,830
Less Total Accumulated Depreciation/Amortization	(2,609,059)	(6,114)	(2,615,173)
Total Capital Assets being Depreciated/Amortized, Net	3,664,351	41,306	3,705,657
Discretely Presented Component Units – Capital Assets, Net	$ 4,167,837	$ 48,526	$ 4,216,363

Note 6 - Leases

Capital

The State has entered into various agreements to lease land, buildings, and equipment. FASB Statement No. 13, *Accounting for Leases,* requires a lease that transfers substantially all of the benefits and risks of ownership to the lessee to be accounted for as the acquisition of a capital asset and the incurrence of an obligation by the lessee (a capital lease).

Capital leases for the internal service funds, enterprise, and college and universities are reported as a long-term obligation in those funds along with the related assets. Capital leases and the related assets are not reported on the fund financial statements of governmental type funds. However, the capital leases and related assets of governmental funds are included on the government-wide financial statements and they are shown on the reconciliation between fund financial statements and government-wide statements.

Following is a summary of the future minimum lease payments for capital leases (in thousands of dollars):

Fiscal Year Ending June 30	Governmental Funds	Internal Service Funds	Enterprise Funds	College and Universities
2011	$ 30,965	$ 2,044	$ 53	$ 6,291
2012	11,230	1,643	39	6,377
2013	10,640	606	24	6,182
2014	10,030	580	5	6,182
2015	9,335	472	---	6,182
2016-2020	36,635	---	---	29,458
2021-2025	14,428	---	---	13,602
Total Minimum Lease Payments	123,263	5,345	121	74,274
Less Amount Representing Interest	(29,606)	(260)	(5)	(25,214)
Present Value of Net Minimum Lease Payments	$ 93,657	$ 5,085	$ 116	$ 49,060

The State has entered into a lease with the Missouri Development Finance Board. The State's obligation under the lease does not constitute a general obligation or other indebtedness of the State. Payments under the lease agreement have been structured in amounts sufficient to pay principal and interest on the Leasehold Revenue Bonds issued by the Board. In November 2005, the Board issued $28,995,000 of Leasehold Revenue Bonds Series 2005 for the purpose of purchasing a building in Florissant, St. Louis, and Jennings. In May 2006, the Board issued $9,865,000 of Leasehold Revenue Bonds Series 2006 for the purpose of purchasing one building in St. Louis. The payments on this lease are subject to annual appropriation by the State legislature.

Note 6 – Leases (cont.)

Following is a summary of the future minimum lease payments to pay interest and principal of the Leasehold Revenue Bonds (in thousands of dollars):

Fiscal Year Ending June 30	Internal Service Funds
2011	$ 2,600
2012	2,600
2013	2,602
2014	2,593
2015	2,593
2016-2020	12,897
2021-2025	12,862
2026-2030	12,835
2031	2,564
Total Minimum Lease Payments	54,146
Less Amount Representing Interest	(19,211)
Present Value of Net Minimum Lease Payments	$ 34,935

The State issued Refunding Certificates of Participation Series A 2005 dated March 1, 2005, in the amount of $120,490,000. The Refunding Certificates of Participation refunded $13,945,000 of Missouri Public Facilities Corporation Certificates of Participation (Acute Care Psychiatric Hospital Project) Series A 1994, $13,400,000 of Missouri PRC Corporation Certificates of Participation (Psychiatric Rehabilitation Center Project) Series A 1995, $9,915,000 of Northwest Missouri Public Facilities Corporation Certificates of Participation (Northwest Missouri Psychiatric Rehabilitation Center Project) Series B 1995, and $83,480,000 of Missouri Public Facilities Corporation II Certificates of Participation (Bonne Terre Prison Project) Series A 1999.

The State also issued Certificates of Participation Series 2002 dated December 15, 2002, in the amount of $4,700,000 for the Conservation Commission of the State of Missouri Project.

The State's obligation under these leases does not constitute a general obligation or other indebtedness of the State. The certificates of participation represent proportionate ownership interests of the certificate holders in the lease agreement. The certificates do not constitute a pledge of the full faith and credit of the State. Payments under the lease agreement have been structured in amounts sufficient to pay principal and interest on the certificate, and are subject to annual appropriation by the State legislature.

Note 6 – Leases (cont.)

Following is a summary of the future minimum lease payments for the Certificates of Participation (in thousands of dollars):

Fiscal Year Ending June 30	Governmental Funds
2011	$ 13,778
2012	13,833
2013	13,185
2014	13,179
2015	13,177
2016-2020	36,742
Total Minimum Lease Payments	103,894
Less Amount Representing Interest	(17,189)
Present Value of Net Minimum Lease Payments	$ 86,705

Assets acquired through these capital lease agreements are recorded as capital assets at the lower of the present value of the minimum lease payments or the fair value at the time of acquisition. The following is the value of the property under capital lease by asset category as of June 30, 2010 (in thousands of dollars):

	Governmental Funds	Internal Service Funds	Enterprise Funds	College and Universities
Buildings	$ 233,134	$ 41,855	$ ---	$ 20,251
Equipment	48,086	9,060	584	32,276
	$ 281,220	$ 50,915	$ 584	$ 52,527

Operating

The State has entered into various operating leases for land, buildings, and equipment. Most of these leases are classified as operating because the lease period is one year with multiple renewal options. Future minimum commitments due under operating leases as of June 30, 2010, were as follows (in thousands of dollars):

Fiscal Year Ending June 30	Governmental Funds	Enterprise Funds	Component Units
2011	$ 49,415	$ 2,223	$ 7,676
2012	605	2,227	3,187
2013	591	229	2,218
2014	494	174	1,750
2015	503	---	831
2016-2020	538	---	926
Total Minimum Commitments	$ 52,146	$ 4,853	$ 16,588

Expenditures for rent under operating leases for the years ended June 30, 2010 and June 30, 2009 were $57,341,000 and $51,734,000, respectively.

Note 6 – Leases (cont.)

Rental Revenue

The State leases certain state owned facilities to entities outside the State. These lessor arrangements are generally long-term commitments which either generate revenue from otherwise idle property or better serve Missouri's citizens by providing convenient access to products and services. The total asset value of the leased facilities is $6.1 million for primary government and $60.0 million for component units. The Department of Natural Resources (DNR) has $39,000 in income from easements on DNR property. This income will be received in perpetuity. The contract conditions and amount for each individual easement can change with the sale of the property requiring the easement. New contracts will be negotiated with new property owners. Future minimum receivables, payable from lessor arrangements as of June 30, 2010, were as follows (in thousands of dollars):

Fiscal Year Ending June 30	Primary Government	Component Units
2011	$ 126	$ 2,331
2012	121	2,945
2013	121	2,823
2014	121	2,928
2015	121	3,040
2016-2020	431	15,052
2021-2025	403	12,266
2026-2030	288	12,044
2031-2035	195	11,791
2036-2040	172	12,133
2041-2045	172	5,145
2046-2050	172	1,601
2051-2055	172	---
Total Minimum Receivables	$ 2,615	$ 84,099

Note 7 – Retirement Systems

The State has two major retirement systems which cover substantially all state employees. These systems are Missouri State Employees' Retirement System (MOSERS) and Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS). The University of Missouri's Retirement Plan is included because the University is a component unit of the State. The Public School Retirement System of Missouri is included in this note disclosure as the State contributes to it.

Plan Descriptions

The Missouri State Employees' Plan (MSEP) and the Judicial Plan are single-employer defined benefit public employees' retirement plans administered by MOSERS. The Plans are administered in accordance with Sections 104.010 and 104.312-104.1215, and 476.445-476.690, RSMo, respectively.

The MSEP has two benefit structures known as MSEP (closed plan) and MSEP 2000. The MSEP covers all full-time employees hired before July 1, 2000, who are not covered under another state-sponsored retirement plan. MSEP 2000 covers all full-time employees hired on or after July 1, 2000 and before January 2011. Employees hired on or after January 1, 2011, will be eligible for membership in the MSEP 2011 tier of the MSEP 2000. Some provisions of this new membership tier include 4% employee contributions of pre-tax wages, 5-year vesting will be increased to 10-year vesting, the "Rule of 80" will be increased to the "Rule of 90", and the age for early retirement for general employees will be increased from age 57 to age 62. Members of the closed plan have the option at retirement to choose between the benefit structure of the MSEP or MSEP 2000. Retirement benefits for members of the Judicial Plan are administered and paid by MOSERS.

Note 7 – Retirement Systems (cont.)

MOSERS provides retirement, survivor, and disability benefits to its members. MOSERS employees are fully vested after 5 years of creditable service (4 years for elected officials and either 4 or 6 years for legislators). The retirement eligibility requirements are as follows:

MSEP

Age 65 and active with 4 years of service
Age 65 with 5 years of service
Age 60 with 15 years of service
Age 48 with age and service equaling 80 or more (Rule of 80)
Employees may retire early at age 55 with at least 10 years of service with reduced benefits.

MSEP 2000

Age 62 with 5 years of service
Age 48 with age and service equaling 80 or more (Rule of 80)
Employees may retire early at age 57 with at least 5 years of service with reduced benefits.

Judicial Plan

Age 62 with 12 years of service
Age 60 with 15 years of service
Age 55 with 20 years of service
Employees may retire early at age 62 with less than 12 years of service or age 60 with less than 15 years of service with a reduced benefit that is based upon years of service relative to 12 or 15 years.

For members hired prior to August 28, 1997, cost of living adjustments (COLAs) are provided annually based on 80% of the percentage increase in the average Consumer Price Index (CPI) from one year to the next, with a minimum rate of 4% and a maximum rate of 5%, until the cumulative amount of COLAs equals 65% of the original benefit, thereafter the 4% minimum rate is eliminated. For members hired on or after August 28, 1997, COLAs are provided annually based on 80% of the percentage increase in the average CPI from one year to the next, up to a maximum rate of 5%. Qualified, terminated-vested members of MSEP and the Judicial Plan may make a one-time election to receive the present value of their benefit in a lump sum payment. To qualify, a member must have terminated with at least 5, but less than 10 years of service, be less than age 60, and have a benefit present value of less than $10,000.

The Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS) is a single-employer defined benefit public employees' retirement system administered in accordance with Sections 104.010-104.1093, RSMo.

MPERS membership is composed of qualified employees of the Missouri Department of Transportation, uniformed and non-uniformed members of the Missouri State Highway Patrol, and MPERS staff.

MPERS provides retirement, survivor, and disability benefits to its members. Employees are fully vested after 5 years of creditable service. The MPERS has two benefit structures known as the Closed Plan and the Year 2000 Plan. Generally, the Closed Plan covers employees hired before July 1, 2000. The Year 2000 Plan generally covers employees hired on or after July 1, 2000 and before January 2011. Employees hired for the first time on or after January 1, 2011, will be eligible for a new tier of benefits within the Year 2000 Plan.

Note 7 - Retirement Systems (cont.)

The retirement eligibility requirements are as follows:

Closed Plan

MoDOT and non-uniformed patrol members:	Uniformed patrol members:
Age 65 and active with 4 or more years of service	Age 55 and active with 4 or more years of service
Age 65 with 5 or more years of service	Age 55 with 5 or more years of service
Age 60 with 15 or more years of service	Age 48 with sum of age and service equaling 80 or more (Rule of 80)
Age 48 with sum of age and service equaling 80 or more (Rule of 80)	Mandatory retirement at age 60

All non-uniformed members may retire early with reduced benefits at age 55 with at least 10 years of service.

For members employed prior to August 28, 1997, cost of living adjustments (COLAs) are provided annually based on 80% of the change in the Consumer Price Index (CPI) with a minimum rate of 4% and a maximum rate of 5%, until the cumulative amount of COLAs equals 65% of the original benefit, thereafter the 4% minimum rate is eliminated. For members employed on or after August 28, 1997, COLAs are provided annually based on 80% of the increase in the CPI up to a maximum rate of 5%.

Year 2000 Plan

MoDOT and non-uniformed patrol members:	Uniformed patrol members:
Age 62 with 5 or more years of service	Age 48 with sum of age and service equaling 80 or more (Rule of 80)
Age 48 with sum of age and service equaling 80 or more (Rule of 80)	Mandatory retirement at age 60 with 5 or more years of service

All members may retire early with reduced benefits at age 57 with at least 5 years of service. COLAs are provided annually based on 80% of the change in the CPI up to a maximum rate of 5%.

Copies of financial reports issued by MOSERS and MPERS may be requested from:

Missouri State Employees' Retirement System
P.O. Box 209
907 Wildwood Drive
Jefferson City, Missouri 65102-0209

Missouri Department of Transportation and
Highway Patrol Employees' Retirement System
P.O. Box 1930
Jefferson City, Missouri 65102-1930

Funding Policy

MOSERS administers plans which cover substantially all State of Missouri employees. The State of Missouri is obligated by state law to make all required contributions to the System. The actuarially determined contributions are expressed as a level percentage of covered payroll. Current year actuarially determined contribution rates for the MSEP and the Judicial Plan are 12.75% and 58.48%, respectively. Actual contribution rates are the same as the actuarially determined rates.

The State of Missouri makes all required contributions to MPERS. Current year calculated contribution rates are 39.95% for uniformed members of the Highway Patrol and 31.40% for non-uniformed members of the Highway Patrol and employees of the Missouri Department of Transportation. Actual contribution rates are the same as the actuarially determined rates.

Note 7 – Retirement Systems (cont.)

Annual Pension Cost and Net Pension Obligation

The annual pension cost and net pension obligation for the current year were as follows (in thousands of dollars):

	MSEP	Judicial Plan	MPERS
Annual required contribution	$ 251,226	$ 27,029	$ 124,053
Interest on net pension obligation	5,613	3,866	---
Actuarial adjustment to annual required contribution	(3,964)	(2,731)	---
Annual pension cost	252,875	28,164	124,053
Contributions made	(251,226)	(27,029)	(124,053)
Increase in net pension obligation	1,649	1,135	---
Net pension obligation, beginning of year	66,036	45,481	---
Net pension obligation, end of year	$ 67,685	$ 46,616	$ ---

The annual pension cost, the percentage of annual pension cost contributed to the Plan, and the net pension obligation for three years are as follows (in thousands of dollars):

	MSEP			Judicial Plan		
	Fiscal Year Ending			Fiscal Year Ending		
	06/30/10	06/30/09	06/30/08	06/30/10	06/30/09	06/30/08
Annual Pension Cost (APC)	$ 252,875	$ 253,571	$ 251,343	$ 28,164	$ 28,736	$ 27,298
Percentage of APC Contributed	99.35%	99.42%	99.37%	95.97%	96.49%	96.03%
Net Pension Obligation	$ 67,685	$ 66,036	$ 64,570	$ 46,616	$ 45,481	$ 44,471

	MPERS		
	Fiscal Year Ending		
	06/30/10	06/30/09	06/30/08
Annual Pension Cost (APC)	$ 124,053	$ 122,599	$ 123,335
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	$ ---	$ ---	$ ---

Funded Status and Funding Progress

The funded status of the Plans as of June 30, 2010, are as follows (in thousands of dollars):

	MSEP	Judicial Plan	MPERS
Actuarial Value of Assets	$ 7,923,377	$ 88,977	$ 1,375,845
Actuarial Accrued Liability (AAL) Entry Age	$ 9,853,155	$ 382,013	$ 3,258,867
Unfunded Actuarial Accrued Liability (UAAL)	$ 1,929,778	$ 293,036	$ 1,883,022
Funded Ratio	80.4%	23.3%	42.2%
Covered Payroll	$ 1,945,095	$ 46,113	$ 378,063
UAAL as a Percentage of Covered Payroll	99.2%	635.5%	498.1%

Note 7 – Retirement Systems (cont.)

Actuarial Methods and Assumptions

The annual required contribution for MOSERS for the current year was determined as part of an actuarial valuation of the Systems as of June 30, 2008, using the entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation for MOSERS include: a) rate of return on the investment of present and future assets of 8.5% per year compounded annually, b) projected salary increases of 4.0% per year annually, attributable to inflation, c) additional projected salary increases ranging from 0.3% to 3.5% per year for MSEP and 0% to 1.6% for the Judicial Plan, depending on age, attributable to seniority and/or merit, and d) the assumption that benefits will increase 4.0% per year after retirement.

The actuarial valuation of the System dated June 30, 2010, will set the required contribution rates for the fiscal year ending June 30, 2012. The actuarial value of assets is based on a method that fully recognizes expected investment return and averages unanticipated market return over a five-year period. The unfunded actuarial accrued liabilities are amortized on an open basis as a level percentage of payroll over 30 years.

The annual required contribution for MPERS for the current fiscal year was determined as part of an actuarial valuation as of June 30, 2008, using the entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation for MPERS include: a) rate of return on the investment of 8.25% per year compounded annually, and b) projected wage inflation rate of 3.75%.

The actuarial valuation of MPERS dated June 30, 2010, will be used to determine the contribution rate for the Plan year ending June 30, 2012. The actuarial value of assets is based on a three-year smoothed market value method. The total contribution is based on a 14-year amortization period for unfunded retiree liabilities and a 29-year amortization period for other unfunded liabilities.

Public School Retirement System of Missouri:

The State of Missouri also made employer contributions to the Public School Retirement System of Missouri which is a cost-sharing multiple-employer defined benefit public employees' retirement system. The System includes all public school districts within the State except for the two districts covering the major metropolitan areas. It also includes certain public college and universities and some state employees.

The benefit provisions include retirement annuities, death benefits, and disability benefits. A member is vested after acquiring five years of membership credit for Missouri service.

The System was created and is governed by Chapter 169 of the Revised Statutes of Missouri. State employees who elect to remain with the Public School Retirement System under Section 104.342, RSMo, are covered by the System.

Employees of the State are not required to contribute. The State, as employer, contributed $3,972,000, $3,286,000, and $2,662,000 for the years ending June 30, 2010, 2009, and 2008, respectively, to the System, equal to the required contributions for each year.

Copies of the System's June 30, 2010, Comprehensive Annual Financial Report may be requested from:

Public School Retirement System of Missouri
P.O. Box 268
3210 West Truman Boulevard
Jefferson City, Missouri 65102-0268

Note 7 – Retirement Systems (cont.)

College and Universities:

University of Missouri Retirement System

Plan Description

The University of Missouri Retirement, Disability, and Death Benefit Plan is a single-employer, defined benefit plan for all qualified employees. The University's Board of Curators establishes the terms of the Plan and administers it as authorized by State statute.

Full-time employees vest in the Retirement Plan after five years of credited service and become eligible for benefits based on age and years of service. A vested employee who retires at age 65 or older is eligible for a lifetime annuity calculated at 2.2% times the credited service years times the compensation base. Vested employees who are at least age 55 and have ten years or more of credited service, or age 60 with at least five years of credited service may choose early retirement with a reduced benefit. However, if the employee retires at age 62 and has at least 25 years of credited service, the benefit is not reduced. At retirement, up to 30% of the retirement annuity can be taken in a lump sum payment; also the standard annuity can be exchanged for an actuarially-equivalent annuity.

Separate financial statements are not prepared for the Plan.

Detailed information concerning the Plan is presented in the University's 2010 financial report, which is publicly available. Copies of this report may be requested from:

University of Missouri System
Office of the Controller
1000 West Nifong, Building 7, Suite 300
Columbia, Missouri 65211

Funding Policy

The University's contributions to the Retirement Plan are equal to the actuarially determined employer contribution requirement, which averaged 4.9% of payroll for the year ended June 30, 2010. Effective July 1, 2009, employees are required to contribute 1% of their salary up to $50,000 in a calendar year and 2% of their salary in excess of $50,000. The University's contribution rate is updated annually on July 1 at the beginning of the University's fiscal year, to the actuarially determined amount from the most recent valuation as of the preceding October 1. This actuarial valuation reflects the adoption of any Retirement Plan amendments during the previous fiscal year.

Annual Pension Cost and Net Pension Obligation

The annual pension cost and net pension obligation for the current year were as follows (in thousands of dollars):

	University of Missouri System
Annual required contribution	$ 48,040
Interest on net pension obligation	---
Actuarial adjustment to annual required contribution	---
Annual pension cost	48,040
Contributions made	(48,040)
Change in net pension obligation	---
Net pension obligation, beginning of year	---
Net pension obligation, end of year	$ ---

Note 7 – Retirement Systems (cont.)

The annual pension cost, the percentage of annual pension cost contributed to the Plan, and the net pension obligation for three years are as follows (in thousands of dollars):

	Fiscal Year Ending		
	06/30/10	06/30/09	06/30/08
Annual Pension Cost (APC)	$ 48,040	$ 56,663	$ 72,284
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	$ ---	$ ---	$ ---

Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2010, is as follows (in thousands of dollars):

	Actuarial Valuation October 1, 2009
Actuarial Value of Assets	$ 2,843,422
Actuarial Accrued Liability (AAL) Entry Age	$ 2,819,524
Unfunded Actuarial Accrued Liability (UAAL)	$ (23,898)
Funded Ratio	100.8%
Covered Payroll	$ 970,060
UAAL as a Percentage of Covered Payroll	(2.5)%

Actuarial Methods and Assumptions

The annual required contribution for the University for the current fiscal year was determined as part of an actuarial valuation of the System as of October 1, 2008, using the entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation include: a) assumed rate of return on investments of 8.0% per year, b) projected salary increases for academic and administrative employees averaging 5.2% per year, c) projected salary increases for clerical and service employees averaging 4.5% per year, and d) assumed no future retiree ad-hoc increases or cost of living adjustments.

Note 8 – Other Postemployment Benefits

In addition to the retirement benefits described in *Note 7*, the State provides postemployment health care and life insurance benefits, in accordance with State statutes, to the majority of employees who either retire from the State or receive long-term disability benefits. These benefits are administered by the Missouri Consolidated Health Care Plan (MCHCP), the Missouri State Employees' Retirement System (MOSERS), the MoDOT and MSHP Medical and Life Insurance Plan (MHPML), and the Conservation Employees' Insurance Plan (CEIP). The eligible number of retirees/long-term disability claimants for MCHCP, MHPML, and CEIP for health care benefits are approximately 18,150, 5,667, and 584, respectively. The eligible number of retirees/long-term disability claimants for MOSERS, MHPML, and CEIP for life insurance benefits are 18,824, 3,588, and 403, respectively. Health care benefits and MOSERS life insurance benefits are funded through both employer and employee contributions. MHPML and CEIP life insurance benefits are funded through employee contributions. Employer contribution rates are set in accordance with Section 103.100, RSMo. Retiree contribution rates are established based on projected claims experience and funding provided by employer contributions. Insurance policies are purchased for life insurance benefits and are the liability of the insurance carrier. For fiscal year 2010, the State's contributions were 57.35% of the total (employer/employee) contributions made for other postemployment benefits.

During fiscal year 2010, the State contributed the following amounts (in thousands of dollars):

	Health Care	Life Insurance
MCHCP	$ 74,385	$ ---
MOSERS	---	1,936
MHPML	16,287	---
CEIP	1,428	---
Total	$ 92,100	$ 1,936

During fiscal year 2010, the expenditures recognized by the State for (employer/employee) other postemployment benefits were as follows (in thousands of dollars):

	Health Care	Life Insurance
MCHCP	$ 104,628	$ ---
MHPML	40,323	3,205
CEIP	3,330	243
Total	$ 148,281	$ 3,448

Funding Policy

The contribution requirements of MCHCP, MHPML, and CEIP are established and may be amended by the State legislature, Missouri Highways and Transportation Commission, and the Conservation Department Board of Trustees, respectively. The State has partially funded the annual required contribution (ARC) of MCHCP in addition to the pay-as-you-go amount. In fiscal year 2010, the State contributed $18.1 million in addition to pay-as-you-go. The required contribution for MHPML and CEIP is based on an actuarial study and is financed on a pay-as-you-go basis. For fiscal year 2010, MCHCP, MHPML, and CEIP contributed $74.4, $30.3, and $3.3 million, respectively.

Note 8 – Other Postemployment Benefits (cont.)

Annual OPEB Cost and Net OPEB Obligation

The MCHCP, MHPML, and CEIP annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of MCHCP, MHPML, and CEIP annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the net OPEB obligation (in thousands of dollars):

	MCHCP	MHPML	CEIP
Annual required contribution	$ 93,865	$ 112,329	$ 9,550
Interest on net OPEB contribution	4,868	6,357	531
Adjustments to annual required contribution	(3,399)	(8,301)	(422)
Annual OPEB cost	95,334	110,385	9,659
Contributions made	(74,385)	(30,346)	(3,319)
Increase in net OPEB obligation	20,949	80,039	6,340
Net OPEB obligation, beginning of year	69,538	141,285	11,807
Net OPEB obligation, end of year	$ 90,487	$ 221,324	$ 18,147

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2010 are as follows (in thousands of dollars):

	MCHCP			MHPML		
	Fiscal Year Ending			Fiscal Year Ending		
	06/30/10	06/30/09	06/30/08	06/30/10	06/30/09 *	06/30/08
Annual Required Contribution (ARC)	$ 93,865	$ 124,511	$ 104,471	$ 112,329	$ 96,308	$ 96,308
Percentage of ARC Contributed	79.25%	73.44%	65.90%	27.02%	26.21%	26.20%
Net OPEB Obligation	$ 90,487	$ 69,538	$ 35,644	$ 221,324	$ 141,285	$ 71,067

	CEIP		
	Fiscal Year Ending		
	06/30/10	06/30/09	06/30/08
Annual Required Contribution (ARC)	$ 9,550	$ 8,289	$ 8,126
Percentage of ARC Contributed	34.75%	29.73%	27.00%
Net OPEB Obligation	$ 18,147	$ 11,807	$ 5,933

*Fiscal year 2009 amounts have been restated (see *Note 17)*.

Note 8 – Other Postemployment Benefits (cont.)

Funded Status and Funding Progress

The funded status of the Plans as of June 30, 2010, are as follows (in thousands of dollars):

	MCHCP	MHPML	CEIP
Actuarial Accrued Liability (AAL)	$ 1,304,355	$ 1,094,778	$ 134,472
Less Actuarial Value of Plan Assets	73,195	---	---
Unfunded Actuarial Accrued Liability (UAAL)	$ 1,231,160	$ 1,094,778	$ 134,472
Funded Ratio	5.61%	0.0%	0.0%
Covered Payroll	$ 1,614,000	$ 378,063	$ 67,600
UAAL as a Percentage of Covered Payroll	76.28%	289.58%	198.92%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation for fiscal year ending June 30, 2010, MCHCP used the entry-age method. The October 2009, MHPML and the July 1, 2009, CEIP actuarial valuation used the projected unit credit method. The actuarial assumptions for MCHCP, MHPML, and CEIP include a 4.5%, 4.5%, and 4.5% discount rate, respectively. MCHCP projected annual health care cost trend rate is currently 8.33%, decreasing by 2/3% per year to an ultimate rate of 5.0%. The UAAL is being amortized at a level dollar amount over an open basis, over a 30-year period. MHPML projected annual health care cost trend rate is currently 8.00%, decreasing by 0.5% until reaching 5.0% in 2015. CEIP projected annual health care cost trend rate is generated by the Getzen model.

College and Universities:

University of Missouri System

In addition to the retirement benefits described in *Note 7*, the University provides postemployment medical care, dental care, and life insurance benefits to eligible employees who retire from the University and to employees receiving long-term disability benefits. Currently, 6,113 retirees/long-term disability claimants meet the eligibility requirements. These postemployment benefits are funded through both employer and employee contributions. For fiscal year 2010, the University's contributions were 66.20% of the total (employer/employee) contributions made for other postemployment benefits.

Currently, the number of retirees/long-term disability claimants participating in medical care, dental care, and life insurance are 4,985, 4,936, and 2,726, respectively. During fiscal year 2010, the University contributed $23,789,000 for other postemployment benefits. The expenditures recognized by the University for (employer/employee) other postemployment benefits were $35,082,000.

Note 8 – Other Postemployment Benefits (cont.)

Funding Policy

In June 2008, the University established its OPEB Trust Fund, the assets of which are irrevocable and legally protected from creditors and dedicated to providing postemployment benefits in accordance with terms of the Plan. Previously, postemployment benefit costs other than long-term disability were funded on a current basis, and expenses were recorded on a pay-as-you-go basis. Long-term disability costs were recognized during the period in which the employee became eligible to receive disability benefits.

The University's OPEB Trust Fund does not issue a separate financial report, but is included in the University's financial report using the economic resources measurement focus and accrual basis of accounting. The University currently plans to contribute to the trust fund an amount that, in addition to the current year premium contributions, is sufficient to fund 50% of the annual required contribution (ARC).

Annual OPEB Cost and Net OPEB Obligation

The University's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the University's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the University's net OPEB obligation for fiscal year 2010 (in thousands of dollars):

	University of Missouri System
Annual required contribution	$ 52,563
Interest on net OPEB obligation	1,359
Adjustment to annual OPEB obligation	(1,157)
Annual OPEB cost	52,765
Contributions made	(23,789)
Increase in net OPEB obligation	28,976
Net OPEB obligation (asset), beginning of year	23,637
Net OPEB obligation, end of year	$ 52,613

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2010 was as follows (in thousands of dollars):

	University of Missouri System		
	Fiscal Year Ending		
	06/30/10	06/30/09	06/30/08
Annual Required Contribution (ARC)	$ 52,563	$ 47,578	$ 53,310
Percentage of ARC Contributed	45.26%	50.00%	100.30%
Net OPEB Obligation	$ 52,613	$ 23,637	$ (150)

Note 8 – Other Postemployment Benefits (cont.)

Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2010, was as follows (in thousands of dollars):

	University of Missouri System
Actuarial Accrued Liability (AAL)	$ 646,655
Less Actuarial Value of Plan Assets	37,171
Unfunded Actuarial Accrued Liability (UAAL)	$ 609,484
Funded Ratio	5.75%
Covered Payroll	$ 1,009,800
UAAL as a Percentage of Covered Payroll	60.36%

Actuarial Methods and Assumptions

In the July 1, 2009, actuarial valuation, University of Missouri System used the projected unit credit cost method. The actuarial assumptions for University of Missouri System included a 5.75% rate of return, net of administrative expenses. The projected annual health care cost trend rate is 6.0% to 10.0% initially, reduced by 0.5% decrements to an ultimate rate of 5.0%. The UAAL is being amortized at a level dollar amount over an open basis, level percent of pay, over a 30-year period.

Note 9 – Deferred Compensation

Missouri State Public Employees' Deferred Compensation Plan:

In accordance with Internal Revenue Code Section 457, the State offers all employees the opportunity to participate in the Missouri State Public Employees' Deferred Compensation Plan. Under the Plan, employees are permitted to defer a portion of their current salary until future years.

All amounts of compensation deferred under the Plan must be held in a trust, custodial account, or annuity contract for the exclusive benefit of Plan participants and their beneficiaries. Investments are managed by the Plan's trustee under one of several investment options, or a combination thereof. The choice between the investment option(s) available by the Plan is made by the participants.

Copies of the Plan's financial statements may be requested from:

Plan Administrator
c/o MOSERS
P.O. Box 209
907 Wildwood Drive
Jefferson City, Missouri 65102-0209

Note 9 – Deferred Compensation (cont.)

Missouri State Employees' Deferred Compensation Incentive Plan:

The Plan was established by the Missouri State Public Employees' Deferred Compensation Commission in July 1995 pursuant to Section 401(a) of the Internal Revenue Code.

Under the Plan provisions, any employee of the State is eligible to participate in the Plan if he/she has been an employee of the State for at least 12 consecutive months preceding any employer contributions to the Plan, and is making continuous monthly deferrals of at least $25 to the Missouri State Public Employees' Deferred Compensation Plan. The State, subject to appropriation, contributes $25, $30, or $35 per month for each employee that meets these requirements based on employee contribution. As of March 2010, employer incentive (match) associated with the State of Missouri Deferred Compensation Plan was suspended until further notice. Participating employees are 100% vested. The contribution rates for the fiscal year ending June 30, 2010, are presented below:

Employee Contribution (per month)	State Incentive (per month)
$25 to $29.50	$25
$30 to $34.50	$30
$35 or more	$35

The first employer contributions to the Plan were made in January 1996. The Plan receives contributions from employees as well as rollovers from other qualified plans. During fiscal year 2010, employer contributions to ING were $10,690,000 and rollover contributions were $28,089,000.

Copies of the Plan's financial statements may be requested from:

Plan Administrator
c/o MOSERS
P.O. Box 209
907 Wildwood Drive
Jefferson City, Missouri 65102-0209

Note 10 – Changes in Short-Term Liabilities

The State uses a bank overdraft line of credit to compensate for timing in cash payments and receipts.

The following is a summary of the changes in short-term liabilities for the year ended June 30, 2010 (in thousands of dollars):

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Governmental Activities:				
Bank Overdraft	$ 3	$ 761,637	$ (761,638)	$ 2

Note 11 – Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2010 (in thousands of dollars):

	*Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010	Due Within One Year
Governmental Activities:					
Due to Other Entities	$ 27,241	$ 10,965	$ (5,367)	$ 32,839	$ 6,748
General Obligation Bonds Payable	600,075	---	(71,165)	528,910	68,615
Other Bonds Payable	3,102,685	1,085,000	(126,830)	4,060,855	155,295
Unamortized Bond Premium	138,351	30,631	(21,470)	147,512	---
Obligations under Lease/ Purchases	246,618	9,692	(35,928)	220,382	29,400
Pollution Remediation	10,049	488	(519)	10,018	1,918
Compensated Absences	185,310	180,466	(182,316)	183,460	182,316
Claims Liabilities	194,123	419,503	(438,763)	174,863	113,019
Contingent Liabilities	26,997	31,957	(4,154)	54,800	54,800
2nd Injury Fund Contingent Liabilities	1,372,477	111,003	(39,416)	1,444,064	39,416
Net Other Postemployment Benefit Obligation	222,630	215,378	(108,050)	329,958	---
Net Pension Obligation	111,517	405,092	(402,308)	114,301	---
Total Governmental Activities	$ 6,238,073	$ 2,500,175	$ (1,436,286)	$ 7,301,962	$ 651,527
Business-Type Activities:					
Obligations under Lease/ Purchases	$ 210	$ ---	$ (94)	$ 116	$ 50
Claims Liabilities	112,688	8,066	(13,938)	106,816	15,000
Grand Prize Winner Liability	103,226	47,892	(52,200)	98,918	52,256
Compensated Absences	3,176	3,162	(3,019)	3,319	3,019
Loans Payable	---	722,117	---	722,117	---
Total Business-Type Activities	$ 219,300	$ 781,237	$ (69,251)	$ 931,286	$ 70,325

*Beginning balances as of July 1, 2009 have been restated (see *Note 17*).

Note 12 – Bonds Payable

Bonds are long-term liabilities and are reconciling items from governmental fund financial statements to government-wide financial statements. On the Government-Wide Statement of Net Assets, the long-term liabilities are shown as the amounts due within one year from the date of the statement and the amounts due in more than one year from the date of the statement.

Note 12 – Bonds Payable (cont.)

General Obligation Bonds:

The Board of Fund Commissioners of the State of Missouri, upon voter approval and subsequent authorization of the General Assembly, issues general obligation bonds that are secured by a pledge of the full faith, credit, and resources of the State. The principal and interest amounts are transferred one year in advance from the General Fund or other funds to the debt service funds from which principal and interest payments are made. Four types of general obligation bonds are currently outstanding. Proceeds from the Water Pollution Control Bonds were used to provide funds for the protection of the environment through the control of water pollution. Proceeds from the Third State Building Bonds were used to provide funds for improvements of state buildings and property. Proceeds from the Fourth State Building Bonds were used to provide funds for improvements of buildings and property of higher education institutions, Department of Corrections, and the Division of Youth Services. Proceeds from the Stormwater Control Bonds were used to provide funds to protect the environment through the control of stormwater.

To take advantage of lower interest rates, the Board of Fund Commissioners has issued bonds to refund various outstanding bond issues. The following indicates the refunding bonds issued by the Board (in thousands of dollars):

	Date Issued	Amount Issued	Series Refunded	Amount Refunded
Water Pollution Control Bonds:				
Series A 1987 Refunding	8/1/87	$ 49,715	A 1981	$ 16,940
			B 1983	9,625
			A 1985	19,575
Series B 1991 Refunding	11/1/91	17,435	A 1983	16,415
Series C 1991 Refunding	11/1/91	33,575	B 1987	30,695
Series B 1992 Refunding	8/15/92	50,435	A 1986	46,400
Series B 1993 Refunding	8/1/93	109,415	A 1987 Refunding	33,240
			A 1989	27,280
			A 1991	27,350
			B 1991 Refunding	11,355
Series B 2002 Refunding	10/15/02	147,710	C 1991 Refunding	21,875
			A 1992	26,560
			B 1992 Refunding	33,595
			A 1993	22,350
			A 1995	22,520
			A 1996	25,900
Series A 2003 Refunding	10/29/03	74,655	B 1993 Refunding	76,540
Series A 2005 Refunding	6/29/05	95,100	A 1996	2,160
			A 1998	28,680
			A 1999	17,595
			A 2003 Refunding	51,535
Third State Building Bonds:				
Series A 1987 Refunding	8/1/87	170,115	B 1983	33,675
			A 1984	48,130
			A 1985	73,375
Series A 1991 Refunding	11/1/91	34,870	A 1983	32,835
Series B 1991 Refunding	11/1/91	71,955	B 1987	65,780
Series A 1992 Refunding	8/15/92	273,205	A 1986	251,355
Series A 1993 Refunding	8/1/93	148,480	A 1987 Refunding	113,725
			A 1991 Refunding	22,935
Series A 2002 Refunding	10/15/02	211,630	B 1991 Refunding	47,320
			A 1992 Refunding	181,170
Series A 2003 Refunding	10/29/03	75,650	A 1993 Refunding	79,380

Note 12 – Bonds Payable (cont.)

	Date Issued	Amount Issued	Series Refunded	Amount Refunded
Fourth State Building Bonds:				
Series A 2002 Refunding	10/15/02	154,840	A 1995	56,300
			A 1996	92,485
Series A 2005 Refunding	6/29/05	45,330	A 1996	7,715
			A 1998	40,970
Stormwater Control Bonds:				
Series A 2005 Refunding	6/29/05	17,175	A 1999	17,595

The additional principal amount of the refunding bonds does not decrease the amount of the authorization.

As of June 30, 2010, $594,494,240 of the Water Pollution Control Bonds; $600,000,000 of the Third State Building Bonds; $250,000,000 of the Fourth State Building Bonds; and $45,000,000 of the Stormwater Control Bonds have been issued. The remaining authorization for the Water Pollution Control Bonds is $130,505,760 and for Stormwater Control Bonds is $155,000,000. There is no remaining authorization for the Third State Building Bonds or the Fourth State Buildings Bonds.

General obligation bonds issued and outstanding as of June 30, 2010, were as follows (in thousands of dollars):

	Interest Rates	Payment Dates	Issue Date	Final Maturity Date	Issued	Outstanding
Water Pollution Control Bonds:						
Series A 2001	4.0 – 7.0%	12/1; 6/1	6/01	6/1/26	$ 20,000	$ 15,030
Series A 2002	3.0 – 5.25%	2/1; 8/1	8/02	8/1/27	30,000	24,440
Series B 2002 – Refunding	3.375 – 5.0%	4/1; 10/1	10/02	10/1/21	147,710	85,390
Series A 2003 – Refunding	3.25 – 6.0%	2/1; 8/1	10/03	8/1/16	74,655	20,405
Series A 2005 – Refunding	5.0%	10/1; 4/1	6/05	10/1/16	95,100	87,250
Series A 2007	4.0 – 5.0%	6/1; 12/1	11/07	12/1/32	50,000	47,740
Third State Building Bonds:						
Series A 2002 – Refunding	4.0 – 5.0%	4/1; 10/1	10/02	10/1/12	211,630	39,300
Series A 2003 – Refunding	3.25 – 6.0%	2/1; 8/1	10/03	8/1/12	75,650	3,490
Fourth State Building Bonds:						
Series A 2002 – Refunding	3.375 – 5.0%	4/1; 10/1	10/02	10/1/21	154,840	128,920
Series A 2005 – Refunding	5.0%	10/1; 4/1	6/05	10/1/16	45,330	42,515
Stormwater Control Bonds:						
Series A 2001	4.0 – 7.0%	12/1; 6/1	6/01	6/1/26	10,000	7,320
Series A 2002	3.0 – 5.25%	2/1; 8/1	8/02	8/1/27	15,000	10,580
Series A 2005 – Refunding	5.0%	10/1; 4/1	6/05	10/1/15	17,175	16,530
Total General Obligation Bonds					$ 947,090	$ 528,910
Less: Amount in Sinking Fund for payment of Principal						(68,615)
						$ 460,295

Note 12 – Bonds Payable (cont.)

As of June 30, 2010, general obligation debt service requirements for principal and interest in future years were as follows (in thousands of dollars):

Fiscal Year Ended June 30	Principal	Interest	Totals
2011	$ 68,615	$ 23,417	$ 92,032
2012	58,040	20,295	78,335
2013	51,790	17,648	69,438
2014	46,445	15,456	61,901
2015	48,855	13,318	62,173
2016–2020	171,590	36,176	207,766
2021–2025	52,715	12,318	65,033
2026–2030	21,505	4,275	25,780
2031–2033	9,355	660	10,015
Totals	$ 528,910	$ 143,563	$ 672,473

Other Bonds:

The Board of Public Buildings of the State of Missouri, upon the approval of the General Assembly, issues revenue bonds for building projects and commits state agencies to lease space in these buildings. The General Assembly appropriates to the Board, on behalf of the state agencies, amounts sufficient to pay the principal and interest on the bonds, maintain certain required reserves, and to pay the costs of operations. The total amount authorized for the Board equals $945,000,000.

To take advantage of lower interest rates, the Board of Public Buildings has issued bonds to refund various outstanding bond issues. The following indicates the refunding bonds issued by the Board (in thousands of dollars):

	Date Issued	Amount Issued	Series Refunded	Amount Refunded
Board of Public Buildings:				
Series A 1983 Refunding	10/1/83	$ 43,445	A 1981	$ 43,445
Series A 1985 Refunding	12/1/85	150,560	1966	2,160
			1967	825
			A 1978	11,745
			A 1979	2,260
			A 1980	3,795
			A 1983 Refunding	39,875
			A 1984	89,900
Series A 1991 Refunding	12/1/91	148,500	A 1985 Refunding	107,700
			A 1988	19,165
			B 1988	2,550
			C 1988	2,145
Series B 2001 Refunding	10/10/01	83,465	A 1991 Refunding	86,810

The additional principal amount of the refunding bonds does not decrease the amount of the authorization.

As of June 30, 2010, the Board of Public Buildings Bonds had issued $871,205,000 of the bond authorization. The remaining authorization is $73,795,000.

Note 12 – Bonds Payable (cont.)

The Board of Public Buildings Bonds issued and outstanding as of June 30, 2010, were as follows (in thousands of dollars):

	Interest Rates	Payment Dates	Issue Date	Final Maturity Date	Issued	Outstanding
Board of Public Buildings:						
Series A 2001	4.25 – 5.75%	5/1; 11/1	5/01	5/1/26	$ 173,870	$ 132,530
Series B 2001 – Refunding	3.5 – 5.5%	6/1; 12/1	10/01	12/1/12	83,465	6,180
Series A 2003	4.0 – 6.0%	4/15;10/15	4/03	10/15/28	387,425	341,770
Series A 2006	4.0 – 5.0%	4/1; 10/1	10/06	10/1/31	120,000	111,675
Total Board of Public Buildings Bonds					$ 764,760	$ 592,155

As of June 30, 2010, the debt service requirements for principal and interest in future years for the Board of Public Buildings Bonds were as follows (in thousands of dollars):

Fiscal Year Ended June 30	Principal	Interest	Totals
2011	$ 22,950	$ 28,702	$ 51,652
2012	23,815	27,551	51,366
2013	24,675	26,267	50,942
2014	23,520	24,982	48,502
2015	24,515	23,740	48,255
2016–2020	139,715	98,976	238,691
2021–2025	175,565	60,954	236,519
2026–2030	142,100	17,867	159,967
2031–2032	15,300	706	16,006
Totals	$ 592,155	$ 309,745	$ 901,900

The Health and Educational Facilities Authority issued $35,000,000 of Educational Facilities Revenue Bonds (University of Missouri–Columbia Arena Project) Series 2001, dated November 1, 2001, to fund the design, acquisition, construction, furnishing, and equipping of a sports arena facility and related facilities on the University of Missouri–Columbia campus. These bonds are limited obligations of the Authority and do not constitute a pledge of the full faith and credit of the State. However, under a financing agreement dated November 1, 2001, the Office of Administration will request that the Governor's annual budget request to the General Assembly include the State's financing amount for principal and interest each year.

The Educational Facilities Revenue Bonds issued and outstanding as of June 30, 2010, were as follows (in thousands of dollars):

	Interest Rates	Payment Dates	Issue Date	Final Maturity Date	Issued	Outstanding
Educational Facilities Revenue Bonds:						
Series 2001	3.0 – 5.0%	5/1; 11/1	11/01	11/1/21	$ 35,000	$ 26,215

Note 12 – Bonds Payable (cont.)

As of June 30, 2010, the debt service requirement of the State for principal and interest in future years for the Educational Facilities Revenue Bonds (based on the financing agreement between the State and the Authority) were as follows (in thousands of dollars):

Fiscal Year Ended June 30	Principal	Interest	Totals
2011	$ 1,685	$ 1,199	$ 2,884
2012	1,760	1,112	2,872
2013	1,835	1,031	2,866
2014	1,915	953	2,868
2015	2,000	869	2,869
2016–2020	11,545	2,793	14,338
2021–2022	5,475	264	5,739
Totals	$ 26,215	$ 8,221	$ 34,436

The Regional Convention and Sports Complex Authority issued $132,910,000 of Convention and Sports Facility Project Bonds Series A 1991, dated August 15, 1991, to finance the costs of acquiring land and constructing a multi-purpose convention and indoor sports facility in downtown St. Louis, Missouri. On December 15, 1993, the Authority issued $121,705,000 of Convention and Sports Facility Project Refunding Bonds Series A 1993 for the purpose of refunding the callable portions of the outstanding bonds issued in August 1991 and to pay the costs of additions and enhancements to the project. The outstanding principal amount refunded was $101,410,000. On August 1, 2003, the Authority issued $116,030,000 of Convention and Sports Facility Project Refunding Bonds Series A 2003 for the purpose of refunding Convention and Sports Facility Project Bonds Series A 1991 and Series A 1993 refunding bonds and to pay the costs of additions and enhancements to the project. The outstanding principal amount refunded was $2,845,000 for the Series A 1991 bonds and $113,170,000 for the Series A 1993 refunding bonds. These bonds are limited obligations of the Authority and do not constitute a pledge of the full faith and credit of the State.

The Convention and Sports Facility Project Bonds issued and outstanding as of June 30, 2010, were as follows (in thousands of dollars):

	Interest Rates	Payment Dates	Issue Date	Final Maturity Date	Issued	Outstanding
Convention and Sports Facility Project Bonds:						
Series A 2003 – Refunding	1.42–5.375%	2/15; 8/15	8/03	8/15/21	$ 116,030	$ 87,990

As of June 30, 2010, the debt service requirements for these bonds are as follows (in thousands of dollars):

Fiscal Year Ended June 30	Principal	Interest	Totals
2011	$ 5,465	$ 4,392	$ 9,857
2012	5,745	4,104	9,849
2013	6,040	3,799	9,839
2014	6,355	3,478	9,833
2015	6,685	3,139	9,824
2016–2020	39,065	9,897	48,962
2021–2022	18,635	901	19,536
Totals	$ 87,990	$ 29,710	$ 117,700

Note 12 – Bonds Payable (cont.)

Under a financing agreement dated August 1, 1991, the Office of Administration will request that the Governor's annual budget request to the General Assembly include the State's financing amount of $10,000,000 for principal and interest and $2,000,000 for maintenance each year. Future payments to the Authority related to the bond repayment are as follows (in thousands of dollars):

Fiscal Year Ended June 30	State Debt Service Payments
2011	$ 10,000
2012	10,000
2013	10,000
2014	10,000
2015	10,000
2016-2020	50,000
2021-2022	15,000
Total	$ 115,000

State Road Bonds:

The Missouri Highways and Transportation Commission authorized by Article IV, Section 29-34 of the Missouri Constitution and Section 226.133 of the State Highway Act, issues bonds for highway construction and repairs. Under the Missouri Constitution, the principal and interest of the State Road Bonds are payable solely from the revenues of the Missouri Road Fund. State Road Bonds have the following levels of priority: Senior Bonds, First Lien Bonds, Second Lien Bonds, and Third Lien Bonds. Proceeds from State Road Bonds are used for the purpose of constructing and maintaining the State's highways. As of June 30, 2010, the Missouri Highways and Transportation Commission had issued $3,812,195,000.

To take advantage of lower interest rates, the Missouri Highways and Transportation Commission has issued Bonds to refund various outstanding bond issues. The following indicates the refunding bonds issued by the Commission (in thousands of dollars):

	Date Issued	Amount Issued	Series Refunded	Amount Refunded
Senior Lien State Road Bonds:				
Series 2006 Refunding	12/12/06	$ 394,870	A 2000	$ 135,980
			A 2001	105,075
			A 2002	109,165
			A 2003	57,390

Note 12 – Bonds Payable (cont.)

The State Road Bonds issued and outstanding as of June 30, 2010, were as follows (in thousands of dollars):

	Interest Rates	Payment Dates	Issue Date	Final Maturity Date	Issued	Outstanding
Missouri Highways and Transportation Commission:						
State Road Bonds						
Series A 2000	4.30 – 5.625%	2/1; 8/1	12/00	2/1/13	$ 250,000	$ 26,310
Series A 2001	2.25 – 5.125%	2/1; 8/1	10/01	2/1/15	200,000	30,915
Series A 2002	3.00 – 5.25%	2/1; 8/1	6/02	2/1/15	203,000	37,325
Series A 2003	2.00 – 5.00%	2/1; 8/1	11/03	2/1/23	254,000	135,335
Series A 2005-First Lien	2.50 – 5.00%	5/1;11/1	7/05	5/1/15	278,660	154,485
Series B 2005-Third Lien	Variable	Variable	7/05	5/1/15	72,000	58,920
Series A 2006-First Lien	3.75 – 5.00%	5/1;11/1	8/06	5/1/21	296,670	271,670
Series B 2006-First Lien	4.50 – 5.00%	5/1;11/1	8/06	5/1/26	503,330	503,330
Series 2006-Refunding	4.00 – 5.00%	2/1; 8/1	12/06	2/1/22	394,870	394,870
Series 2007-Second Lien	4.00 – 5.25%	5/1;11/1	9/07	5/1/27	526,800	511,745
Series A 2008-Second Lien	3.00 – 5.00%	5/1;11/1	12/08	5/1/25	142,735	142,735
Series A 2009	2.00 – 5.00%	5/1;11/1	9/09	5/1/21	195,625	195,625
Series B 2009	4.802 – 5.252%	5/1;11/1	9/09	5/1/33	404,375	404,375
Series C 2009-Third Lien	4.313 – 5.213%	5/1;11/1	11/09	5/1/29	300,000	300,000
Series A 2010	1.50 – 5.00%	5/1;11/1	3/10	5/1/22	128,865	128,865
Series B 2010	4.720 – 5.020%	5/1;11/1	3/10	5/1/25	56,135	56,135
Total Missouri Highways and Transportation Commission					$ 4,207,065	$ 3,352,640

As of June 30, 2010, debt service requirements for principal and interest in future years for the Missouri Highways and Transportation Commission were as follows (in thousands of dollars):

Fiscal Year Ended June 30	Principal	Interest (1)	Totals
2011	$ 123,340	$ 148,221	$ 271,561
2012	146,505	141,569	288,074
2013	155,785	136,130	291,915
2014	162,940	129,451	292,391
2015	170,095	122,814	292,909
2016-2020	1,012,890	491,111	1,504,001
2021-2025	1,021,980	245,177	1,267,157
2026-2030	433,755	59,847	493,602
2031-2033	125,350	8,976	134,326
Totals	$ 3,352,640	$ 1,483,296	$ 4,835,936

(1) The annual debt service schedule assumes an interest rate of 0.21%, representing the interest rate at June 30, 2010, for the Series B 2005 bonds. During the year, interest rates ranged from 0.12% to 0.31%.

In addition, one of the blended component units of the Missouri Road Fund had revenue bonds issued and outstanding as of June 30, 2010.

Note 12 – Bonds Payable (cont.)

The Wentzville Parkway Transportation Corporation, a blended component unit of the Missouri Road Fund, issued $12,935,000 of Transportation Revenue Bonds Series 2001 dated May 1, 2001, to finance the expansion and reconstruction of the interchange at Interstate Highway 70 and Wentzville Parkway in St. Charles County. These bonds are not an obligation of the Commission and do not constitute a pledge of the full faith and credit of the State.

The revenue bonds issued and outstanding as of June 30, 2010, were as follows (in thousands of dollars):

	Interest Rates	Payment Dates	Issue Date	Final Maturity Date	Issued	Outstanding
Wentzville Parkway Transportation Corporation:						
Transportation Revenue Bonds Series 2001	3.4 – 4.9%	2/1; 8/1	5/01	8/1/10	$ 12,935	$ 1,855

As of June 30, 2010, debt service requirements for principal and interest in future years for the bonds of the blended component units of the Missouri Road Fund were as follows (in thousands of dollars):

Fiscal Year Ended June 30	Principal	Interest	Totals
2011	$ 1,855	$ 45	$ 1,900

Under a funding agreement dated April 6, 2001, the City of Wentzville will make payments to the Wentzville Parkway Transportation Corporation in the amount of $4,119,000 to pay a portion of the principal of the bonds. The future payments to the Corporation are as follows (in thousands of dollars):

Fiscal Year Ended June 30	Principal	Interest	City's Total Payments
2011	$ 1,855	$ 45	$ 1,900

Note 12 – Bonds Payable (cont.)

Component Units' Long-Term Debt – The following bonds are included in the balance sheet of the college and universities and the non-major component units.

Major

College and Universities:

The college and universities of the State issue revenue bonds for various projects on each respective campus. Bonds are payable, both principal and interest, only out of net income and revenues arising from operations of facilities funded by the bonds. As of June 30, 2010, debt service requirements for principal and interest for the college and universities were as follows (in thousands of dollars):

Fiscal Year Ended June 30	Principal	Interest	Totals
2011	$ 49,780	$ 68,436	$ 118,216
2012	48,670	66,556	115,226
2013	50,827	64,676	115,503
2014	52,372	62,662	115,034
2015	53,336	60,563	113,899
2016–2020	289,393	269,010	558,403
2021–2025	329,819	205,223	535,042
2026–2030	360,337	129,961	490,298
2031–2035	250,764	68,538	319,302
2036–2040	158,410	18,433	176,843
Totals (1)	$ 1,643,708	$ 1,014,058	$ 2,657,766

(1) The bond schedule does not include notes payable, therefore, it differs from the bonds and notes payable amount reported in the statements.

Non–Major

Missouri Development Finance Board:

In December 2000, the Board issued $6,500,000 in taxable and $14,600,000 in tax–exempt infrastructure Facilities Revenue Bonds Series 2000B and 2000C, respectively for the purpose of paying the costs of acquiring land and constructing a parking garage. Bonds are payable, both principal and interest, out of revenues derived from the operation of the parking garage.

In October 2004, the Board issued $9,500,000 in Ninth Street Garage Series 2004A, taxable infrastructure facilities revenue bonds and $7,000,000 Ninth Street Garage Series 2004B, tax exempt infrastructure facilities revenue bonds

In April 2010, the Board issued $9,000,000 in Seventh Street Garage Series 2010A, tax exempt infrastructure facilities revenue bonds.

Note 12 – Bonds Payable (cont.)

The Missouri Development Finance Board Revenue Bonds issued and outstanding as of June 30, 2010, were as follows (in thousands of dollars):

	Interest Rates	Payment Dates	Issue Date	Final Maturity Date	Issued	Outstanding
Missouri Development Finance Board:						
Revenue Bonds						
Series 2000B	up to 10%	12/1	12/00	12/1/20	$ 6,500	$ 3,910
Series 2000C	up to 10%	12/1	12/00	12/1/20	14,600	11,440
Series 2004A	up to 10%	10/1	10/04	10/1/34	9,500	8,255
Series 2004B	up to 10%	10/1	10/04	10/1/34	7,000	7,000
Series 2010A	up to 5.264%	monthly	04/10	05/1/40	9,000	9,000
Total Missouri Development Finance Board Revenue Bonds					$ 46,600	$ 39,605

As of June 30, 2010, the debt service requirements for principal and interest in future years for the Missouri Development Finance Board Revenue Bonds were as follows (in thousands of dollars):

Fiscal Year Ended June 30	Principal	Interest	Totals
2011	$ 255	$ 490	$ 745
2012	284	489	773
2013	462	484	946
2014	490	475	965
2015	519	466	985
2016–2020	3,088	2,180	5,268
2021–2025	19,440	1,682	21,122
2026–2030	5,455	1,255	6,710
2031–2035	7,208	779	7,987
2036–2040	2,404	259	2,663
Totals	$ 39,605	$ 8,559	$ 48,164

The annual debt service schedule assumes an interest rate of 0.321%, representing the interest rate at June 30, 2010, for the Series 2000B and Series 2000C bonds. The annual debt service schedule also assumes an interest rate of 0.389%, representing the interest rate as of June 30, 2010, for the Ninth Street Garage Series 2004A and 2004B bonds. The annual debt service also assumes an interest rate of 4.25%, representing the interest rate as of June 30, 2010, for the Seventh Street Garage Series 2010A bonds.

Note 12 – Bonds Payable (cont.)

Bond Transactions of the State of Missouri – The following schedule is a summary of bond activity for the fiscal year ended June 30, 2010 (in thousands of dollars):

	Governmental Funds		Component Units	
	General Obligation Bonds	Other Bonds	Revenue Bonds	Totals
Bonds Payable at July 1, 2009	$ 600,075	$ 3,102,685	$ ---	$ 3,702,760
Bond Issuance	---	1,085,000	---	1,085,000
Bonds Retired	(71,165)	(126,830)	---	(197,995)
Subtotal	528,910	4,060,855	---	4,589,765
College and Universities [1]	---	---	1,643,708	1,643,708
Missouri Development Finance Board	---	---	39,605	39,605
Bonds Payable at June 30, 2010	$ 528,910	$ 4,060,855	$ 1,683,313	$ 6,273,078

[1] Detailed information for college and universities are not shown.

Note 13 – Defeased Debt

A. Current Year Debt Defeasance

On July 29, 2009, the University of Central Missouri issued $9,715,000 of bonds to refund the Student Housing System Refunding Revenue Series 2002 bonds. The economic gain (difference between the present values of the old and new debt service payments) of the refunding was $368,000. The difference in cash flows between the old debt service requirement and the new debt service requirement is $368,000.

B. Cumulative Debt Defeasances

Various bond issues have been defeased by creating separate irrevocable trust funds.

Either new debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds or sufficient funds have been deposited in an irrevocable escrow to pay principal and interest as they become due.

For financial reporting purposes, the following debt has been defeased and therefore removed as a liability from the governmental activities and college and universities Statement of Net Assets.

Governmental Activities – As of June 30, 2010, bonds outstanding of $282,425,000 are defeased.

College and Universities – As of June 30, 2010, bonds outstanding of $144,500,000 are defeased.

Note 14 – Payables and Receivables

A summary of accounts payable and accounts receivable at June 30, 2010, is shown below (in thousands of dollars):

	Governmental Activities	Business-Type Activities	Balance June 30, 2010
Accounts Payable:			
Taxpayers	$ 116,196	$ 22	$ 116,218
Other Governments	148,718	35	148,753
Vendors	937,524	20,290	957,814
Employees	109,409	2,551	111,960
Other	72,343	10	72,353
Total Accounts Payable	$ 1,384,190	$ 22,908	$ 1,407,098
Accounts Receivable with expected date of receipt within one year:			
Taxpayers	$ 2,517,750	$ 1,902	$ 2,519,652
Other Governments	824,008	178	824,186
Vendors	530,260	---	530,260
Customers	83,556	201,682	285,238
Other	1,097,208	788	1,097,996
	5,052,782	204,550	5,257,332
Accounts Receivable with expected date of receipt greater than one year:			
Vendors	1	---	1
Customers	33	39	72
Other	45	---	45
	79	39	118
Accounts Receivable	5,052,861	204,589	5,257,450
Amounts not expected to be collected	(1,482,588)	(48)	(1,482,636)
Accounts Receivable, net	$ 3,570,273	$ 204,541	$ 3,774,814

Note 15 – Interfund Assets and Liabilities

A summary of interfund assets and liabilities at June 30, 2010, is shown below (in thousands of dollars):

Due to Other Funds, Component Units, and Primary Government	Due From Other Funds, Component Units, and Primary Government: Public Education	Conservation and Environmental Protection	Non-Major Enterprise Funds	Internal Service Funds	Totals
General Fund	$ ---	$ ---	$ 72	$ 14,845	$ 14,917
Public Education	---	---	---	22	22
Conservation and Environmental Protection	---	---	94	271	365
Transportation and Law Enforcement	---	---	---	371	371
Missouri Road Fund	---	---	---	328	328
Non-Major Governmental Funds	---	---	3	653	656
State Lottery	21,834	---	---	34	21,868
Petroleum Storage Tank Insurance	---	---	---	3	3
Non-Major Enterprise Funds	---	---	1	151	152
Internal Service Funds	---	---	1	472	473
Non-Major Component Units	---	968	---	---	968
Totals	$ 21,834	$ 968	$ 171	$ 17,150	$ 40,123

Advance To Component Units and Primary Government	Advance From Component Units and Primary Government: Missouri Road Fund	Non-Major Component Units	Totals
Conservation and Environmental Protection	$ ---	$ 4,662	$ 4,662
Non-Major Component Units	3,773	---	3,773
Totals	$ 3,773	$ 4,662	$ 8,435

The loans from the component units were for the construction of additional state highways and for animal waste treatment systems.

During the consolidation process for the Government-Wide Statement of Net Assets, interfund payables and receivables were eliminated as follows: $1,000 on the face of the Proprietary Funds Statement of Net Assets and governmental activities in the amount of $16,962,000.

The amount reported as Due from Other Funds for fiscal year 2010 is significantly less than what was reported in fiscal year 2009. The elimination of interfund reimbursements is part of the reason for this decrease (see *Note 17*). This decrease is also due to further consolidation of the Information Technology Services Division and more agencies being relocated from leased buildings to state-owned buildings.

Note 16 – Interfund Transfers

All transfers must be legally authorized by the legislature through transfer appropriations. Interfund transfers for the fiscal year ended June 30, 2010, were as follows (in thousands of dollars):

	Transfers In:			
	General Fund	Public Education	Missouri Road Fund	Non-Major Governmental Funds
Transfers Out:				
General Fund	$ ---	$ 2,522,112	$ 19	$ 148,642
Public Education	15,189	---	---	---
Conservation and Environmental Protection	667	---	---	8,182
Transportation and Law Enforcement	938	---	543,138	---
Non-Major Governmental Funds	64,602	35,847	---	30,241
State Lottery	---	259,722	---	---
Non-Major Enterprise Funds	20	---	---	---
Internal Service Funds	55	---	---	13
Totals	$ 81,471	$ 2,817,681	$ 543,157	$ 187,078

Continues Below

	Lottery	Non-Major Enterprise Funds	Internal Service Funds	Totals
Transfers Out:				
General Fund	$ ---	$ 738	$ ---	$ 2,671,511
Public Education	---	---	---	15,189
Conservation and Environmental Protection	---	---	---	8,849
Transportation and Law Enforcement	---	---	---	544,076
Non-Major Governmental Funds	---	---	---	130,690
State Lottery	---	---	---	259,722
Non-Major Enterprise Funds	---	---	---	20
Internal Service Funds	46	11	257	382
Totals	$ 46	$ 749	$ 257	$ 3,630,439

Principal reasons for interfund transfers include:

- moving general revenue funds to support elementary and secondary education
- moving state lottery funds to support elementary and secondary education
- moving general revenue funds to support social assistance programs reported in non-major governmental funds
- moving funds related to the construction of capital assets

During fiscal year 2010, there were transfers of $368,000 from internal service funds to the General Fund and non-major governmental funds. These were transfers of capital assets and are therefore not reported on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances or on the reconciliation above. This is because governmental funds use the modified accrual basis of accounting and therefore do not report capital assets on their financial statements. There were also transfers of capital assets for $76,000 from the General Fund to internal service funds. These are reported as capital contributions in the internal service funds and excluded from the General Fund; therefore, these transfers are also not included in this reconciliation.

Note 17– Restatements

During fiscal year 2010, additional information became available which required the restatement of fund equity amounts. The following table presents a summary of these restatements by fund (in thousands of dollars):

	June 30, 2009 Fund Balance/ Net Assets Previously Reported	Prior Period Adjustments	June 30, 2009 Fund Balance/ Net Assets Restated
GOVERNMENTAL FUNDS			
Major Governmental Funds			
General Fund	$ 1,258,241	$ 47,662	$ 1,305,903
Public Education	343,181	242	343,423
Conservation and Environmental Protection	1,240,869	(14)	1,240,855
Transportation and Law Enforcement	226,291	(4,391)	221,900
Missouri Road Fund	644,340	(27,021)	617,319
Non-Major Governmental Funds			
Special Revenue	283,169	(2,522)	280,647
Debt Service	102,180	27,020	129,200
Capital Projects	52,315	1	52,316
Permanent	53,739	2,022	55,761
PROPRIETARY FUNDS			
Major Enterprise Funds			
Petroleum Storage Tank Insurance	(26,130)	(517)	(26,647)
Non-Major Proprietary Funds			
Enterprise	87,159	1,800	88,959
Internal Service	592,409	(17,209)	575,200
FIDUCIARY FUNDS			
Pension (and Other Employee Benefit) Trust	8,756,625	(88)	8,756,537
DISCRETELY PRESENTED COMPONENT UNITS			
College and Universities	4,737,174	(6,163)	4,731,011
Non-Major	168,675	1,125	169,800

Breakdown of restatements by type:

- General Fund, the restatement was a decrease in cash and investments of $1,000 due to a change in the fair market value relating to investments based on a 90 day original maturity, a decrease in accounts receivable of $39,000, an increase in inventories of $210,000, a decrease in due from other funds of $248,000, a decrease in due to other funds of $1,308,000, and a decrease in deferred revenues of $46,432,000.
- Public Education, the restatement was a decrease in cash and investments of $1,000 due to a change in the fair market value relating to investments based on a 90 day original maturity, and a decrease in due to other funds of $243,000.
- Conservation and Environmental Protection, the restatement was a decrease in cash and investments of $1,000 due to a change in the fair market value relating to investments based on a 90 day original maturity, a decrease in accounts receivable of $36,000, a decrease in due from other funds of $11,000, and a decrease in due to other funds of $34,000.
- Transportation and Law Enforcement, the restatement was a decrease in cash and investments of $1,000 due to a change in the fair market value relating to investments based on a 90 day original maturity, a decrease in investments of $4,368,000 due to an error in the investment balance, a decrease in due from other funds of $64,000, and a decrease in due to other funds of $42,000.
- Missouri Road Fund, the restatement was a decrease in cash of $5,174,000, a decrease in investments of $13,630,000, a decrease in accounts receivable of $8,149,000, a decrease in interest receivable of $97,000, a decrease in accounts payable of $14,000, and a decrease in due to other funds of $15,000. The restatements were due to the reclassification of the Missouri Road Bond Fund from the Missouri Road Fund, capital projects fund, to a debt service fund.

Note 17– Restatements (cont.)

- Non-major special revenue funds, the restatement was a decrease in cash and investments of $5,000 due to a change in the fair market value relating to investments based on a 90 day original maturity, a decrease in cash and investments of $1,152,000, a decrease in accounts receivable of $49,000, a decrease in interest receivable of $5,000, a decrease in due from other funds of $1,344,000, a decrease in inventories of $1,000, a decrease in accounts payable of $4,000, a decrease in accrued payroll of $8,000, a decrease in due to other funds of $19,000, and a decrease in deferred revenue of $3,000. The majority of the restatements were due to the reclassification of the Missouri Wine and Grape Board fund from a special revenue fund to a component unit.
- Non-major debt service funds, the restatement was a decrease in cash and investments of $1,000 due to a change in the fair market value relating to investments based on a 90 day original maturity, an increase in cash of $5,174,000, an increase in investments of $13,630,000, an increase in accounts receivable of $8,149,000, an increase in interest receivable of $97,000, and an increase in accounts payable of $29,000 due to the reclassification of the Missouri Road Bond fund from the Missouri Road Fund to a debt service fund.
- Non-major capital projects funds, the restatements was a decrease in due to other funds of $1,000.
- Non-major permanent funds, the restatement was an increase to investments of $2,022,000 due to the adjustment of investments to market value.
- Major enterprise fund – Petroleum Storage Tank Insurance, the restatement was a decrease in accounts receivable of $517,000.
- Non-major enterprise funds, the restatement was a decrease in prepaid items of $22,000, a decrease in assets held for resale of $115,000, an increase in capital assets (net of accumulated depreciation/amortization) of $1,896,000, and a decrease in unearned revenue of $41,000.
- Non-major internal service funds, the restatement was an increase in cash and investments of $3,000 due to a change in the fair market value relating to investments based on a 90 day original maturity, a decrease in accounts receivable of $8,971,000, a decrease in interest receivable of $19,000, a decrease in due from other funds of $1,000, an increase in inventories of $1,000, an increase in capital assets (net of accumulated depreciation/amortization) of $25,673,000, a decrease in due to other funds of $6,000, a decrease in claims liability of $141,000, and an increase in obligations under lease purchase of $34,042,000.
- Pension (and other employee benefit) trust funds, the restatement was an increase in accounts payable of $88,000.
- Discretely presented component units – college and universities, the restatement was a decrease of $6,163,000 due to a change in accounting principle due to the adoption of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.*
- Discretely presented component units – non-major funds, the restatement was an increase in cash of $187,000, an increase in investments of $969,000, an increase in interest receivable of $5,000, an increase in accounts payable of $6,000, an increase in accrued payroll of $7,000, and an increase in compensated absences $23,000. This restatement was due to the reclassification of the Missouri Wine and Grape Board fund from a special revenue fund to a component unit.

Purpose for restatements:

The items on the schedule were restated as a result of additional information received this year related to prior year corrections.

On the Government-Wide Statement of Activities, net assets for the governmental activities were restated by the amounts shown on the restatement schedule for governmental funds and internal service funds. In addition, capital assets (net of accumulated depreciation/amortization) increased by $260,000, the Internal Balance increased by $41,000, an increase in advance from other governments of $300,000, a decrease in interest payable of $7,935,000, a decrease in obligations under lease purchase of $34,476,000, and an increase in net other postemployment benefit obligation of $4,586,000.

On the Government-Wide Statement of Activities, net assets for the business-type activities were restated by the amounts shown on the restatement schedule for enterprise funds and by a decrease in the Internal Balance of $41,000.

Note 18 – Fund Deficit

The following fund had a deficit balance:

Enterprise Fund – Petroleum Storage Tank Insurance – At June 30, 2010, this fund had a net asset deficit of $26,903,000. The deficit at June 30, 2009 was $26,647,000. The deficit occurred when transport load fees collected were not sufficient to cover the estimated claims liability for clean up of petroleum storage tank leaks. This liability amount is the cumulative result of numerous years of petroleum storage tank leaks. Per Section 319.129, RSMo, this fund will not accept new claim liabilities after December 31, 2020, or upon revocation of federal regulation 40 CFR, whichever occurs first, unless extended by action of the General Assembly. Various alternatives are being considered to pay off the claims liability amount of this fund. Per Section 319.131, RSMo, the liability of the Petroleum Storage Tank Insurance Fund is not the liability of the State. Upon dissolution of this fund, the liability would be liquidated.

Enterprise Fund – Unemployment Compensation Insurance – At June 30, 2010, this fund had a net asset deficit of $454,351,000. The deficit at June 30, 2009 was $15,486,000. The reason for this deficit is the high unemployment rate associated with the current national economic climate. It has made it necessary for the State of Missouri, along with other states, to borrow from the federal government to pay unemployment benefits. The United States Department of Labor projects that the unemployment rate for Missouri will peak in 2010. Unless new legislation is passed to increase employer contributions into the fund from state unemployment taxes, it will be necessary for Missouri to continue to borrow from the federal government. If the State has two consecutive years with a loan balance, the federal government will begin to increase federal taxes on employers by reducing the Federal Unemployment Tax Act (FUTA) tax credit that Missouri employers are allowed to claim on their taxes. These additional taxes will be used to begin paying down Missouri's loan balance.

Internal Service Fund – Transportation Self-Insurance Plan Fund – At June 30, 2010, this fund had a net asset deficit of $11,390,000. The deficit at June 30, 2009 was $506,000. The deficit occurred due to funding being based on annual actuarial studies and budget availability. Increases in appropriations and claims management will eliminate the deficit over time.

Note 19 – Related Party Transactions

The Missouri State Public Employees' Deferred Compensation Plan was administered by ING Institutional Plan Services. ING Life Insurance and Annuity Company provides affixed earnings investments for plan participants while ING Institutional Plan Services provides variable earnings investments. At June 30, 2010, total investments of the Plan were $1,023,036,000 and investments in ING Life Insurance and Annuity Company were $454,212,000.

Note 20 – Commitments

Contracts

The Department of Conservation had contracts outstanding of $3,668,000 for construction contracts at June 30, 2010. These contracts are funded through the special revenue funds from specific sales tax, fees, and permits.

The Department of Transportation had long-term contracts of $1,592,822,000 outstanding at June 30, 2010. These contracts are paid from capital projects funds with approximately 73% federal reimbursement expected.

The Office of Administration, Division of Facilities Management, Design and Construction, had construction contracts outstanding at June 30, 2010 of $42,255,000. Approximately 97% will be paid from the General Fund, 1% from special revenue funds, and 2% from capital projects funds.

Note 20 – Commitments (cont.)

On March 10, 1988, the State of Missouri entered into a contract with the United States Army Corps of Engineers confirming an assurance agreement of April 8, 1965. The State obtained rights to a portion of the water supply storage from the Clarence Cannon Dam and Mark Twain Lake Project. The State agreed to pay up to $10.8 million plus interest for the investment costs allocated to the water supply storage, the amount of such payments to be determined by the portion of the water storage space put in use by the State for that purpose. The contract provided a ten year interest free period running from 1984 to 1994. In fiscal year 1995, the State began making interest payments. The interest payment amount for fiscal year 2010 was $364,000. This payment was made in arrears as it was part of a fiscal year 2010 expenditure restriction plan. Payment of principal and interest must be completed by March 2038.

The Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS) purchased a new pension administration software system during fiscal year 2007. Payments totaling $2,171,000 have been made, leaving $900,000 outstanding at June 30, 2010.

As of June 30, 2010, the University of Missouri had outstanding commitments for the usage and ongoing support of the University Health System's information technology environment totaling $147,726,000. The payments are as follows:

2011	$ 11,080,000
2012	13,002,000
2013	14,938,000
2014	15,386,000
2015	15,847,000
thereafter	77,473,000

Truman State University had approximately $14,786,000 in outstanding commitments for various construction contracts at June 30, 2010.

The University of Central Missouri had outstanding commitments of approximately $8,265,000 related to construction contracts at June 30, 2010.

Missouri State University had approximately $24,600,000 in outstanding commitments for various construction contracts at June 30, 2010, still to be incurred.

Note 21 – Risk Management and Insurance

The State is exposed to various risks of loss related to tort, general, motor vehicle, and contractor liability and injuries to employees. The State assumes its own liability for risks except for the purchase of surety bond, aircraft, and boiler coverage. The State's Office of Administration (OA), Risk Management Unit, self-insures its workers' compensation program for all state employees, with the exception of the Missouri Department of Transportation (MoDOT) and the State Highway Patrol. Liability insurance is also provided by OA-Risk Management, pursuant to State statute, through the State's legal expense fund, which is a component of the General Fund in this report. This insurance covers all state employees.

The workers' compensation and legal expense fund claims liability is based upon actual claims that have been submitted to OA-Risk Management. IBNR (incurred but not reported) liability is not included since workers' compensation and liability insurance claims are reported timely, and therefore any potential IBNR liability amount would be considered immaterial. The State has not had any insurance settlements exceed the coverage during the past three fiscal years. OA-Risk Management also procures property insurance for 3% of the total value of the State's property with the remainder uninsured. The buildings that are insured are mainly the buildings backed with bonded debt through the Board of Public Buildings.

Note 21 – Risk Management and Insurance (cont.)

The Transportation Self-Insurance Plan covers workers' compensation for employees of MoDOT and the State Highway Patrol, and covers vehicle liability and general liability insurance for the employees of MoDOT. The Transportation Self-Insurance Plan is presented as an internal service fund. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Estimated claims payable is based on known claims pending as well as an estimate of IBNR claims from data provided by an actuary. Liabilities are reported at their discounted value, assuming an investment yield of 4%.

The Missouri Consolidated Health Care Plan (MCHCP) provides health care insurance to all state employees, except for MoDOT, the State Highway Patrol, and the Department of Conservation. The Plan is presented as an internal service fund. Estimated claims payable is based on known medical claims pending as well as an estimate of IBNR claims from data provided by an actuary.

The MoDOT and MSHP Medical and Life Insurance Plan (MHPML) accounts for the medical coverage provided on a self-insured basis and life insurance benefits, underwritten by a commercial insurance company, for employees of MoDOT and the State Highway Patrol. The Plan is presented as an internal service fund. Estimated claims payable is based on known insurance claims pending as well as an estimate of IBNR claims from data provided by an actuary.

The Conservation Employees' Insurance Plan (CEIP) provides health care and life insurance to employees of the Department of Conservation. The Plan is presented as an internal service fund. Estimated claims payable is based on known claims pending as well as an estimate of IBNR claims.

Southwestern Bell Telephone Company vs. Director of Revenue (Case No. SC83859 and follow up Case No. SC86441): the Supreme Court ruled that Southwestern Bell Telephone Company was entitled to a refund of use tax paid on machinery and equipment used to create its digital phone service product. Manufacturing was found to include producing taxable services as well as tangible personal property products.

The Petroleum Storage Tank Insurance Fund (PSTIF) has claims liability for the cost of contamination cleanup for policyholders and other eligible site owners who have submitted notice of a contamination. The PSTIF is presented as a major enterprise fund.

The University of Missouri System provides workers' compensation, liability, and medical insurance for its employees. The University funds this through a combination of self-insurance and commercially purchased insurance. The amount of coverage is based upon analysis of historical information and actuarial estimates. Settled claims have not exceeded commercial coverage in any of the past three fiscal years. The claims liability is the present value of the claims, using discounted rates ranging between 3.7% and 4.5% based on future investment yields. The University of Missouri System is included with college and universities as a major component unit of the State.

Missouri State University is exposed to various risks of loss. These include loss related to torts; business interruption; employee injuries and illnesses; employee health, dental and accidental benefits; natural disasters; damage to and destruction of assets; and errors and omissions. Commercial insurance coverage is purchased for claims arising from such matters other than those related to natural disasters and employee health benefits, general liability, and workers' compensation. Settled claims have not exceeded the commercial coverage in any of the three preceding years. Additional coverage is provided through the State Self-Insurance Program, through the Risk Management Unit of the Office of Administration. The State of Missouri self-insures the workers' compensation benefits for all state employees, including University employees.

Note 21 – Risk Management and Insurance (cont.)

Changes in the balances of claims liability (in thousands of dollars) during the current and prior fiscal years are as follows:

Governmental Activities	Type of Insurance Claims	Fiscal Year Claims Liability 6/30/2009	Current Year Claims and Estimated Changes	Claim Payments	Fiscal Year Claims Liability 6/30/2010
OA Workers Compensation	Workers Comp.	$ 24,920	$ 22,243	$ (25,553)	$ 21,610
OA Legal Expense Fund	Liability	1,351	1,957	(2,078)	1,230
MoDOT Self-Insurance Plan	Workers Comp. and Liability	68,776	31,337	(18,552)	81,561
MCHCP	Health Care	46,036	247,793	(252,512)	41,317
MHPML	Health Care and Life Insurance	12,000	99,881	(100,081)	11,800
CEIP	Health Care and Life Insurance	1,667	13,431	(13,853)	1,245
DOR	Southwestern Bell Lawsuit	39,373	2,861	(26,134)	16,100
Total Governmental Activities		$ 194,123	$ 419,503	$ (438,763)	$ 174,863
Business-Type Activities					
PSTIF	Contamination Cleanup	$ 112,688	$ 8,066	$ (13,938)	$ 106,816
Component Units					
University of Missouri System	Workers Comp. and Liability	$ 73,266	$ 191,350	$ (187,115)	$ 77,501
Missouri State University	Health Care, Workers Comp. and Liability	1,235	14,012	(13,865)	1,382
Total Component Units		$ 74,501	$ 205,362	$ (200,980)	$ 78,883

Governmental Activities	Type of Insurance Claims	Fiscal Year Claims Liability 6/30/2008	Current Year Claims and Estimated Changes	Claim Payments	Fiscal Year Claims Liability 6/30/2009
OA Workers Compensation	Workers Comp.	$ 19,018	$ 32,257	$ (26,355)	$ 24,920
OA Legal Expense Fund	Liability	1,108	2,557	(2,314)	1,351
MoDOT Self-Insurance Plan	Workers Comp. and Liability	65,171	18,462	(14,857)	68,776
MCHCP	Health Care	38,094	262,059	(254,117)	46,036
MHPML	Health Care and Life Insurance	12,400	95,638	(96,038)	12,000
CEIP*	Health Care and Life Insurance	1,264	14,411	(14,008)	1,667
DOR	Southwestern Bell Lawsuit	65,907	3,404	(29,938)	39,373
Total Governmental Activities		$ 202,962	$ 428,788	$ (437,627)	$ 194,123
Business-Type Activities					
PSTIF	Contamination Cleanup	$ 116,733	$ 11,739	$ (15,784)	$ 112,688
Component Units					
University of Missouri System	Workers Comp. and Liability	$ 67,238	$ 177,386	$ (171,358)	$ 73,266
Missouri State University	Health Care, Workers Comp. and Liability	1,051	13,479	(13,295)	1,235
Total Component Units		$ 68,289	$ 190,865	$ (184,653)	$ 74,501

*Restated.

Note 21 – Risk Management and Insurance (cont.)

Risk Management Pool:

The State of Missouri participates in the property program of the Midwestern Higher Education Compact (MHEC) as defined in Section 173.700, RSMo. This program was formed to expand coverage, reduce costs, and stabilize property insurance rates over extended time periods at higher education institutions in all member states. The program offers loss limit coverage tailored to individual institutions as well as self-insured retention by institution. The MHEC Risk Management Oversight Committee directs the major operations of the program overseeing the development of program policies, premium allocations, new program memberships, and selection of program administrators and insurance underwriters.

Note 22 – Pollution Remediation and Landfill Closure and Postclosure

The State has an obligation to address current or potential detrimental effects of existing pollution by participating in pollution remediation activities.

The Missouri Department of Natural Resources was compelled to assess and oversee the cleanup of contaminated sites subject to federal law under the Resource Conservation and Recovery Act (RCRA), also known as the Superfund Law, administered by the U.S. Environmental Protection Agency (EPA). Under this law, the State is required to pay or ensure payment of 10% of the costs of remediation action and 100% of the costs of operations and maintenance at sites where the party responsible for the contamination is unknown, uncooperative, or insolvent. Similarly, Missouri law 260.371.7 states that the public should bear a portion of the cost to pay for the State's share of Superfund cleanup to be appropriated from general revenue. At the end of fiscal year 2010, the State was participating in the cleanup of 12 Superfund sites. Total pollution remediation obligation for these sites totaled approximately $9.9 million. The basis for these costs are State Superfund contracts that list the estimated cost of cleanup, or actual costs if cleanup is complete, less any payments that have been made to the EPA. Estimated costs will change as actual costs become available. The Hazardous Waste Fund is a component of the General Fund in this report.

The Missouri Department of Transportation (MoDOT) contracted for site assessment of a chemical contamination and a leaking underground storage tank for the amount of $15,000 to determine any pollution remediation activities and future costs. MoDOT is currently performing control and prevention activities in three instances related to building and grounds caused by chemical contamination and moisture intrusion. The potential for pollution remediation exists; however, any future remediation obligations are not yet estimable.

The Office of Administration, Division of Facilities Management, Design and Construction, commenced asbestos, mold, and lead abatement and remediation in 11 state office buildings during the fiscal year. At the end of the fiscal year, cleanup was not complete in 5 of the buildings, with a total remaining obligation for asbestos abatement of $50,000, lead abatement of $14,000, and mold abatement of $10,000. These costs were based on contractual pricing estimates and are subject to change if the pollution remediation requires more time or material than was estimated. Facilities Maintenance Reserve and the Federal Budget Stabilization – Medicaid Reimbursement are both components of the General Fund in this report.

Note 22 – Pollution Remediation and Landfill Closure and Postclosure (cont.)

The Department of Public Safety, Office of the Adjutant General, has been named as a potentially responsible party in the Pools Prairie superfund site in Newton County, Missouri. The Superfund Law, under the Resource Conservation and Recovery Act (RCRA), is administered by the U.S. Environmental Protection Agency (EPA). This law says the State is required to pay or ensure payment of 10% of the costs of remediation action and 100% of the costs of operations and maintenance at sites where the party responsible for the contamination is unknown, uncooperative, or insolvent. Similarly, Missouri law 260.371.7 states that the public should bear a portion of the cost to pay for the State's share of Superfund cleanup to be appropriated from general revenue. The Department of Public Safety's portion of the costs for the cleanup of the Pools Prairie superfund site cannot be determined at this time.

Changes in the balances of pollution remediation liability (in thousands of dollars) during the current and prior fiscal years are as follows:

Governmental Activities	Type of Pollution Remediation	Fiscal Year Remediation Liability 6/30/2009	Current Year Assessments and Estimated Changes	Payments	Fiscal Year Remediation Liability 6/30/2010	Due Within One Year
DNR-Hazardous Waste Fund	Superfund Sites	$ 9,895	$ 173	$ (139)	$ 9,929	$ 1,829
MoDOT-Missouri Road Fund	Chemical Contamination	154	94	(233)	15	15
OA-Federal Budget Stabilization-Medicaid RE	Asbestos Abatement and Inspections	---	11	---	11	11
OA-Facilities Maintenance Reserve	Asbestos Abatement and Inspections	---	166	(127)	39	39
OA-Facilities Maintenance Reserve	Mold Remediation and Abatement	---	27	(17)	10	10
OA-Facilities Maintenance Reserve	Lead Paint Abatement and Air Monitoring	---	17	(3)	14	14
Total Governmental Activities		$ 10,049	$ 488	$ (519)	$ 10,018	$ 1,918

The State does not own any municipal solid waste landfills (MSWLF), however in the event the owner/operator refuses or is unable to properly maintain the landfill, the owner/operator forfeits the required financial assurance instrument(s) to fund closure and/or post-closure maintenance activities.

Each landfill owner/operator is required to obtain a financial assurance instrument, which is held by the State as security in the case of a default or forfeiture. Financial assurance instruments can include financial guarantee or performance bonds, letters of credit, insurance policies, corporate guarantees, contracts of obligations, trust funds, and escrow accounts. At June 30, 2010, the Missouri Department of Natural Resources, Solid Waste Program tracked the value of the secured financial assurance instruments held by the State to be $290,977,000. This amount is disclosed, but not reported in the financial statements, because the State does not perform the investment function and does not have significant administrative involvement. While the State maintains possession of the financial assurance instruments, it does not meet criteria to be reported in a fiduciary fund.

At June 30, 2010, ten MSWLFs and two waste tire facilities have defaulted. The owners/operators failed to properly close or maintain post-closure care for these facilities; therefore, the State took possession of the forfeited financial assurance instruments to initiate the closure or post-closure activities as required by Section 260.228, RSMo. The State will monitor and pay post-closure care costs of these facilities for the next 30 years in accordance with Missouri Department of Natural Resources Solid Waste Management Law and Regulations. At June 30, 2010, it is expected that $2,214,000 will be paid over the remaining monitoring periods. This is the amount of fund balance that has been reserved on the General Fund balance sheet for forfeited assets.

Note 23 – Contingencies

Contingent claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported including the effects of specific, incremental claim adjustment expenditures/expenses, salvage, subrogation, and other allocated or unallocated claim adjustment expenditures/expenses. Liabilities of governmental funds are reported as a reconciling item to the Government-Wide Statement of Net Assets. Expenditures are recognized as payments are made.

At June 30, 2010, the amount of the contingent liabilities was $55.0 million. Changes in the reported liability since June 30, 2009, resulted from the following (in thousands of dollars):

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance Fiscal Year End
2009-2010	$ 26,997	$ 31,957	$ (4,154)	$ 54,800
2008-2009	40,087	(11,150)	(1,940)	26,997
2007-2008	82,922	(35,267)	(7,568)	40,087

Section 287.220.6, RSMo, requires that an actuarial study of the Second Injury Fund be made every three years to determine the solvency of the fund. Figures presented below for current year claims and changes in estimates are based on the 2010 actuarial study. At June 30, 2010, the amount of liabilities for the Second Injury Fund was $1.4 billion. Changes in the reported liability since June 30, 2009, resulted from the following (in thousands of dollars):

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance Fiscal Year End
2009-2010	$ 1,372,477	$ 111,003	$ (39,416)	$ 1,444,064
2008-2009	1,248,013	191,330	(66,866)	1,372,477
2007-2008	1,112,023	204,100	(68,110)	1,248,013

The State receives federal grants which are subject to review and audit by federal grantor agencies. This could result in requests for reimbursements to the grantor agency for expenditures which are disallowed under grant terms. The State believes that such disallowances, if any, would be immaterial in the next fiscal year.

Loan Guarantees:

In the past, the State appropriated money to the Missouri Development Finance Board for the purpose of making loan guarantees. Upon default of a guaranteed loan, the Board makes the payment for default from Board funds. At the end of fiscal year 2010, there were no guaranteed loans outstanding and no loans defaulted.

The State appropriates money to the Agricultural and Small Business Development Authority for the purpose of making loan guarantees. Upon default of a guaranteed loan, the Authority makes the payment for default from State appropriations. The Authority administers the Single-Purpose Animal Facilities Loan Program and the Value Added Loan Guarantee Program, which provides a 50% first-loss guarantee on loans up to $250,000. The total of these two loan programs outstanding at June 30, 2010, for which the Authority has guaranteed payment is, $1,657,000 and $7,090,000, respectively. During 2010, no loans defaulted.

Note 23 – Contingencies (cont.)

Sales and Use Tax Lawsuits:

Southwestern Bell Telephone Company vs. Director of Revenue (Case No. SC83859 and follow up Case No. SC86441): the Supreme Court ruled that Southwestern Bell Telephone Company was entitled to a refund of use tax paid on machinery and equipment used to create its digital phone service product. Manufacturing was found to include producing taxable services as well as tangible personal property products. A settlement was reached regarding some claims, filed by multiple taxpayers, related to the Southwestern Bell cases. A $16.1 million liability remains as of June 30, 2010, and is referenced in *Note 21 – Risk Management and Insurance*. Refund claims related to these cases that were filed by other companies that are still pending verification and exclusive of interest (which could be substantial) could negatively affect the State by $32.9 million, of which $19.1 million is related to the General Fund.

The State is also involved in tax litigation not included in the fiscal year 2010 liability amount, where it is reasonably possible that an adverse court decision may incur an estimated loss of $30.5 million.

Education Lawsuits:

Four education lawsuits are pending: Committee for Educational Equality, et al vs. the State of Missouri, et al (Case No. 04CV323022), filed in the Circuit Court of Cole County; Jenkins, et al vs. School District of Kansas City, Missouri, et al (Case No. 77-0420-CV-DW), filed in the U.S. District Court, Western Division; Kansas City Missouri Public Schools vs. Missouri Board of Fund Commissioners (Case No. 05AC-CC00389), filed in the Circuit Court of Cole County; the School District of Kansas City, Missouri vs. State of Missouri, Missouri Board of Education, DESE, and D. Kent King filed in the Circuit Court of Cole County, filed with the Missouri Supreme Court. Arguments are being heard, and decisions in these cases may require additional state money or a revision to the current school aid formula.

Tobacco Master Settlement Agreement:

The State is currently involved in a national arbitration against the tobacco manufacturers that participated in the Master Settlement Agreement (MSA), regarding the manufacturers' pending claim for a downward adjustment against the manufacturers' 2004 annual payment, as defined in the MSA. The manufacturers' claim is a challenge to every State's 2003 enforcement record. The State's total exposure depends upon the arbitration panel's determination of whether Missouri and all other states diligently enforced their qualifying statutes in 2003 (RSMo 196.1000-196.1003).

The State's total potential exposure could be up to the entire amount of the 2004 annual payment from the manufacturers. The State's share of the annual payment was $144 million, of which $142 million has already been received. Should the State lose the arbitration, the next annual payment could be reduced by more than $115 million, plus interest calculated from April 15, 2004. The amount may fluctuate depending on the total number of states found by the arbitration panel to have failed to diligently enforce their qualifying statutes in 2003. Such a loss would not be paid from State funds, but would be taken as a credit against the manufacturers' MSA payments in 2010 or subsequent years, resulting in a State liability. The tobacco companies may withhold some portion of future payments and seek arbitration of the same issue for subsequent years.

Note 24 – Joint Ventures

The Regional Convention and Sports Complex Authority was created by state law for the purpose of financing, constructing, operating, and maintaining a multipurpose convention and sports facility to be located in the City of St. Louis. The Authority operates under a board of commissioners of whom five are appointed by the Governor of the State, three by the County Executive of St. Louis County, and three by the Mayor of the City of St. Louis. The Authority is granted all rights and powers necessary to plan, finance, construct, equip, and maintain the facility.

The Authority is considered a joint venture of the State, County, and City because it constitutes a contractual agreement for public benefit in which the State, County, and City retain an ongoing financial responsibility for the Convention and Sports Facility Project Bonds. In August 1991, the Authority issued $258,670,000 of Convention and Sports Facility Project Bonds. The bonds were sponsored in the amount of $132,910,000 by the State (Series A), $65,685,000 by the County (Series B), and $60,075,000 by the City (Series C). In December 1993, the Authority issued $181,885,000 in Convention and Sports Facility Project and Refunding Bonds to advance refund $101,410,000 and $50,275,000 of the outstanding 1991 Series A and Series B bonds, respectively, and for additional construction costs. The bonds were sponsored in the amount of $121,705,000 by the State (Series A) and $60,180,000 by the County (Series B). In February 1997, the Authority issued $61,285,000 in Series C refunding bonds to advance refund $47,155,000 of the outstanding 1991 Series C bonds. In August 2003, the Authority issued $116,030,000 of Convention and Sports Facility Project and Refunding Bonds Series A 2003 to refund $2,845,000 and $113,170,000 of Series A 1991 and Series A 1993 refunding bonds, respectively, and for additional construction costs. In May 2007, the Authority issued $49,585,000 in Series C 2007 refunding bonds to refund $61,285,000 of original principal of the Series C 1997 refunding bonds.

Pursuant to a financing agreement entered into in August 1991, and terminating in August 2021, the Authority leased the facility to the sponsors who subleased the facility back to the Authority. The payments made by the State, County, and City under the financing agreement are sufficient to pay the principal and interest on the bonds. In addition, the sponsors provide annual appropriations intended to keep the facility in good repair and competitive with the top 25% of NFL facilities. See *Note 12* for the specific debt service requirements that make up the State's ongoing financial responsibility for this joint venture.

Summary financial information for the Authority as of and for the fiscal year ended December 31, 2009, is presented below (in thousands of dollars):

Total Assets	$	282,014
Total Liabilities	$	177,840
Total Net Assets		104,174
Total Liabilities and Net Assets	$	282,014
Total Revenues	$	24,795
Total Expenses		28,711
Net Decrease in Net Assets	$	(3,916)

Copies of the Authority's financial statements may be requested from:

St. Louis Regional Convention
and Sports Complex Authority
901 North Broadway
St. Louis, Missouri 63101

Note 25 – Endowments

Donor-restricted endowments for Missouri reside primarily within the higher education institutions, which are reported as a discretely presented component unit of the State. The University of Missouri reported a net depreciation/amortization of restricted non-expendable net assets in the amount of $52,142,000, which consisted of both realized and unrealized losses on investment. For detailed information on the college and universities review the individual financial statements. The Revised Statutes of Missouri authorize the acceptance of donations at State agencies or public institutions. The governing boards of these institutions and the donor agreements determine whether net appreciation can be spent and the acceptable spending rate as detailed in Section 402.035, RSMo. These policies are entity specific and vary with each institution.

Note 26 – Conduit Debt

As of June 30, 2010, the Missouri Development Finance Board issued $1,283,637,000 in Single Issue Industrial Revenue Bonds and $1,703,965,000 in Public Purpose Capital Improvement and Refunding Leasehold Revenue Bonds. The outstanding balances on these bonds and notes as of June 30, 2010, were approximately $715,420,000 and $817,448,000, respectively.

The Missouri Development Finance Board and the State have no liability for repayment of these revenue bonds and funding notes aside from reserve fund deposits and, accordingly, these bonds and notes have not been recorded as a liability on the financial statements for the Missouri Development Finance Board. The debtor pays all debt service requirements. Security for the bondholders consists of insurance, letters of credit, annual appropriation pledges, and certain funds held through trustees under the various indentures.

Note 27– Subsequent Events

General Obligation Bonds:

On July 27, 2010, the Board of Fund Commissioners of the State of Missouri issued $81,450,000 of State Water Pollution Control Refunding Bonds Series A 2010. These bonds will bear interest from 4.00% to 5.00%, due in semiannual installments beginning December 1, 2010. This refunded State Water Pollution Control Bonds in the following amounts: Series A 2001 – $15,030,000, Series A 2002 – $20,225,000, Series B 2002 Refunding – $12,990,000, Series A 2005 Refunding – $8,595,000, and Series A 2007 – $31,385,000.

On July 27, 2010, the Board of Fund Commissioners of the State of Missouri issued $9,060,000 of Fourth State Building Refunding Bonds Series A 2010. These bonds will bear interest from 4.00% to 5.00%, due in semiannual installments beginning December 1, 2010. This refunded Fourth State Building Bonds in the following amounts: Series A 2002 Refunding – $8,970,000 and Series A 2005 Refunding – $1,470,000.

On July 27, 2010, the Board of Fund Commissioners of the State of Missouri issued $15,150,000 of Stormwater Control Refunding Bonds Series A 2010. These bonds will bear interest from 4.00% to 5.00%, due in semiannual installments beginning December 1, 2010. This refunded Stormwater Control Bonds in the following amounts: Series A 2001 – $7,320,000, Series A 2002 – $8,475,000, and Series A 2005 Refunding – $905,000.

MOSERS and MPERS:

On July 19, 2010, a pension reform bill was signed into law that created a new membership tier for State employees hired for the first time on or after January 1, 2011. Some provisions include 4% employee contributions of pre-tax wages, as well as increasing the retirement age and vesting period.

Note 27- Subsequent Events (cont.)

Missouri Department of Transportation:

The Series B 2005 First Lien State Road Bonds were issued as variable rate instruments with weekly rate changes. Since June 30, the rates varied from 0.20% to 0.33%.

On November 10, 2010, the Department issued $130,390,000 of Senior Lien Refunding State Road Bonds Series C 2010. These bonds will bear interest from 3.00% to 5.00%, due in semiannual installments beginning February 1, 2011. This refunded Senior Lien State Road Bonds as follows: $11,135,000 of Series A 2001, $18,405,000 of Series A 2002, and $111,760,000 of Series A 2003.

Missouri State University:

On July 30, 2010, the University issued $46,370,000 of Auxiliary Enterprise System Revenue Bonds, consisting of $20,565,000 in taxable Series 2010 B bonds designated as Build America Bonds, and $25,805,000 in traditional tax-exempt Series 2010 A and Series 2010 C bonds. This issue also included a partial refunding of the Series 2005 A bonds in the amount of $21,485,000.

On July 30, 2010, the University issued $10,220,000 in bonds through the Missouri Health and Educational Facilities Authority, consisting of $8,235,000 in taxable Series 2010 B bonds designated as Build America Bonds and $1,985,000 in traditional tax-exempt Series 2010 A bonds.

Missouri Western State University:

On September 9, 2010, the University issued $24,840,000 in revenue bonds, consisting of $15,000,000 for funding of the construction of a new residential hall apartment complex, with the remaining $9,840,000 used to refund the Auxiliary System Revenue Bonds Series 1998.

Northwest Missouri State University:

On November 16, 2010, the University issued $4,980,000 in Recreation System Refunding Revenue Bonds Series 2010. These bonds refunded the Recreation System Improvement and Refunding Revenue Bonds Series 1999, which had an outstanding principal balance of $4,380,000 at June 30, 2010.

On November 16, 2010, the University issued $1,485,000 in Parking System Refunding Revenue Bonds Series 2010. These bonds refunded the Parking System Revenue Bonds Series 2001, which had an outstanding principal balance of $1,785,000 at June 30, 2010.

University of Missouri:

On December 21, 2010, the University issued $252,285,000 of System Facilities Revenue Bonds Series 2010A, designated as taxable Build America Bonds. These bonds bear interest at a stated rate of 5.792%, payable semiannually, beginning May 1, 2011.

Unemployment Compensation:

Due to high unemployment rates, Missouri is borrowing from the federal government in order to pay unemployment insurance benefits. Since June 30, 2010, $10,970,391 has been borrowed. It is likely that the borrowing will continue through April 2011, however, the total amount of the borrowings cannot be determined at this time.